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BUSINESS WEEK

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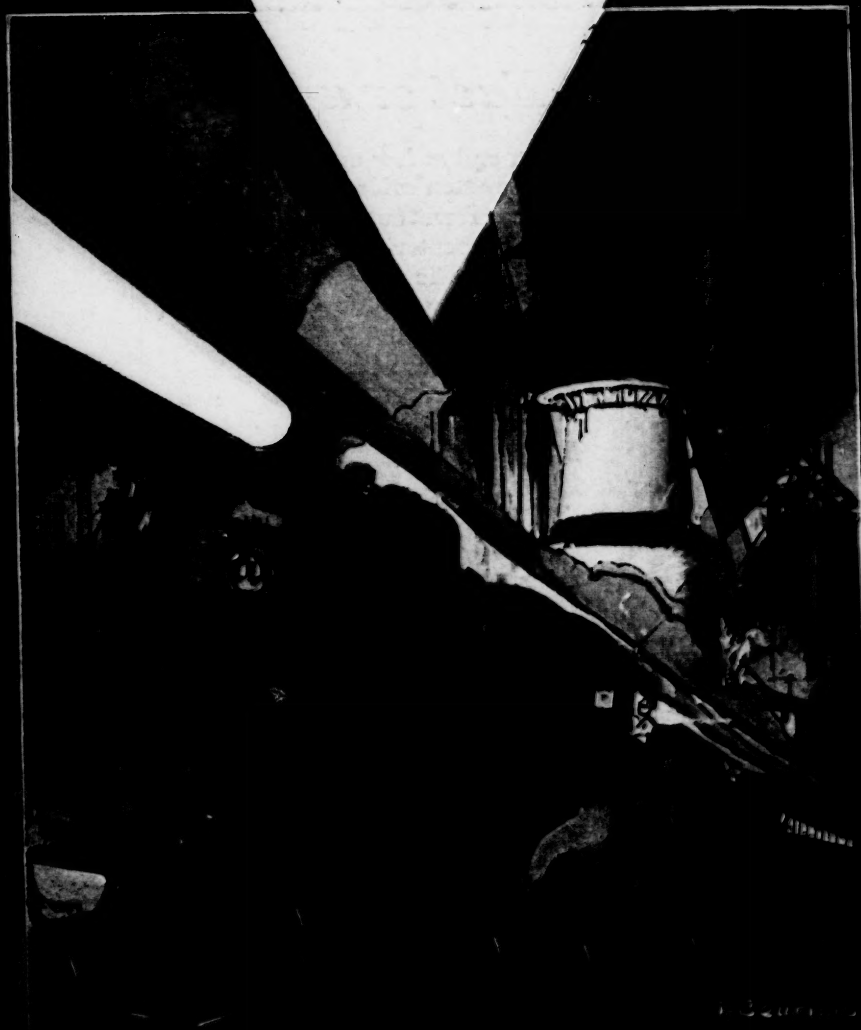
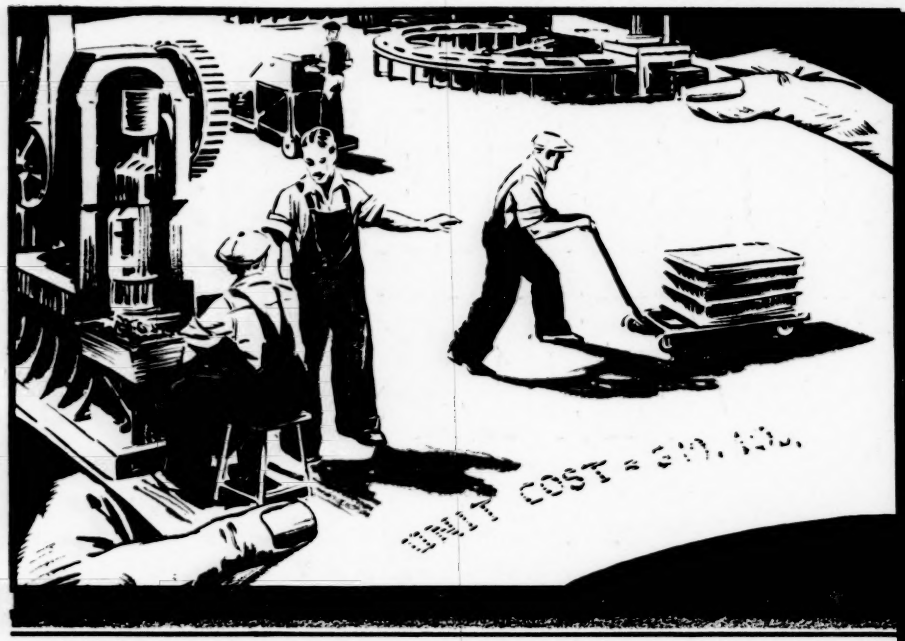


FOR THE WEEK ENDING NOVEMBER 9, 1929



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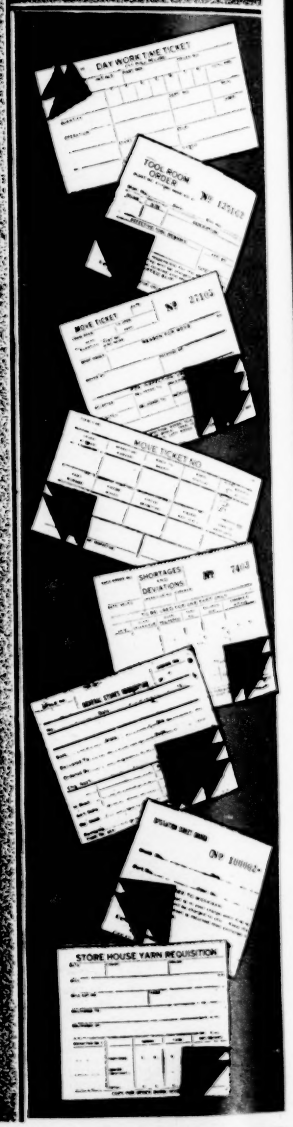

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The Business Week

WITH WHICH IS COMBINED THE MAGAZINE OF BUSINESS

A JOURNAL OF BUSINESS NEWS AND INTERPRETATION

FOR THE WEEK ENDING
NOVEMBER 9, 1929

Business Outlook—Unsettled, Slightly Cooler

THE characteristic intemperance of the American public, which leads it to all kinds of self-induced excesses and self-imposed prohibitions, is showing itself not only in continued excessive security liquidation, unchecked by the institution of a kind of "matinee market," but in unrestrained and unintelligent business gloom in the speculative centers where business is still confused with a brokerage account. As things have gone in the market this week, holders of good securities may well say to Wall Street: "It is all very well to dissemble your love, but why do you throw me downstairs?" Many stocks may not be able to pay their penthouse or top-floor rents, but no one supposes that everything is going to have to move down to the basement.

Nor is there any apparent reason why business men should start throwing the furniture out of the window because the fire bells are clanging in the Street. Certainly some slackening in business is in prospect, and certain lines have it coming to them. But the weekly indicators show no changes in industrial and trade activity so far that could not be accounted for by seasonal or other factors irrespective of the stock market. THE BUSINESS WEEK's survey of business sentiment in the various regions shows that, save in the automobile and speculative districts, there is so far little disturbance and no expectation of abnormal developments. The collapse or indefinite postponement of tariff revision and the legislative chaos in Washington are undoubtedly more unsettling to general business than any other factor in the situation. If Washington and Wall Street could be quarantined for a few weeks, business wouldn't miss them.

We expect the financial and business readjustment for the next four months to be slow, gradual and orderly. It will take some time to relieve the congestion and inflation in the security market following the wild overproduction of new issues—especially investment trust issues—since the middle of this year. It will take longer for the banks to get out from under the burden they are carrying, since "others" have done otherwise with their call money. There will be a lot of price cutting, and automobiles are likely to be cold this winter. But the recession will be well cushioned by easier money, and by well-controlled inventories in most lines, except raw materials. Early in 1930 business is likely to resume its normal stride, if business men will keep their shirts on and roll up their sleeves.

Export Industries Please Ponder

AN international conference met at Paris, November 5, under the auspices of the League of Nations to draw up a convention "improving the status of foreigners and foreign enterprises already established in a foreign state." The purpose is to secure, by treaty, equal treatment for foreigners and nationals. American banks, branch factories, agencies abroad have a direct interest in this meeting. The United States is represented, as usual, in a "consultative capacity." If the conference succeeds it will produce fiscal, judiciary, legal and administrative guarantees never obtained in past bargaining between individual countries. It is possible that each nation will continue to restrict the activities of foreign lawyers, notaries, stock brokers and other professional groups, and to reserve exploitation of minerals and water-power to their nationals. But substantial advantages will be gained—by those companies whose countries adhere, reciprocally, to the convention. American and Bolshevik companies, however, will probably not reap this reward of international cooperation.

The United States still maintains certain state laws restricting banks and insurance companies of foreign nationality from doing business on the same terms as American companies. Since the federal government cannot override state law other than within constitutional limitations, our export industries may find themselves under definite disadvantages within the next two years.

Nationally, we can, of course, claim most-favored-nation treatment in cases where our commercial treaties give us that privilege; but these treaties expire in 1936 and it is clearly the intention of European countries to cease giving us the benefit of concessions made among themselves.

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Austria Looms In the Fog

THE financial fog engendered in Central Europe and the Balkans by the recent failure of the Land Mortgage Bank of Vienna is clearing, and through the mist many observers discern the rise of an Austria even more prosperous than in the days of the Empire. Some, indeed, believe that Austria is destined to become one of the wealthiest countries in Europe. The future appears to depend almost entirely on a reorganization of her industry and a more intensive agricultural program. Artificial industries must be abandoned, and food for most of her population of 6,500,000 must be grown at home. Business men and financiers say both can be done.

The failure of the Land Mortgage Bank takes Austrian finance out of the imperial tradition. This was the grand old bank of the Austro-Hungarian Empire, founded by an Emperor, the financial bulwark of court and nobility and the great imperial industries. Besides several private banks, there now remain in Vienna three large financial institutions, of which the Credit Bank, Rothschild interest, is the greatest. A new government has launched a program of constitutional reform which will give it greater power.

Austria has always sought prosperity in industry and manufacturing, has carried over this ideal into the different conditions that followed the partition of the Empire. What is now needed, as recognized by Austrian leaders, is the development of other sources of wealth and capitalization of its position as trading and financial center of Middle Europe.

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More Farmers More Optimistic

IN its November 1 report on the agricultural situation the Department of Agriculture says most of the important farm products are in a relatively stronger statistical position than they were a year ago, because of lower production and higher prices. Total production of principal food and feed crops this year will be somewhat below last, on about the same acreage. Hay is the only important crop substantially above last year. Since early summer, prices of practically all groups of farm commodities, excepting meat animals, have increased.

The general price level is still not far enough above last year to do more than offset the loss in production; but an advance in the coming months is expected to increase the total agricultural income somewhat over last year. Even at the present time, the index of purchasing power of farm products in terms of commodities that farmers buy is at the highest point that has been reached so far this year, and the highest since July, 1928.

Farm optimism has been growing perhaps somewhat more rapidly than the actual gain in the agricultural situation warrants. Doubtless the prospective support of agricultural relief legislation and Farm Board policies is the most important factor here.

The increasing spirit of optimism is reflected particularly in the farm real estate market. In the opinion of the president of the Federal Land Bank of St. Louis, farm land values are due for a rise that will be noticeable by next March. The decline in farm land that has been going on since 1920 has about reached bottom, he says. In the past year this decline has not been more than 1%; in some sections there already has been a slight rise. Farm lands in his district are moving more rapidly than in the past few years.

It is probable that the return of funds from speculative centers to the rural banks will increase their resources and stimulate the speculative movement in farm real estate. Coming at this time this tendency has in it the makings of another farm real estate boom.

They Say the Trusts Still Have Their Stocks

IT may eventually be called "The Investment Trust Panic." Not that the trusts caused it, so far as anyone knows now, nor that they accentuated it. But they were the new factor in the market; they were the great influence that was going to prevent wild fluctuations. Well, they didn't.

Why was it that under the stress of this tragic emergency the trust did not fulfill its rôle as a stabilizer if not as a savior of values?

The best opinion of professionals in these matters would appear, under such brief investigation as time has permitted, to be about as follows:

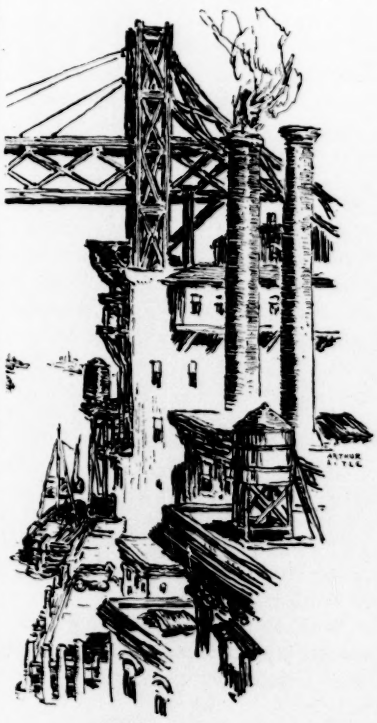
1. The greater trusts have been managed with technical integrity. They have not been short of the market, by any hook or crook.

2. They have lost a great deal of money, on paper. They bought securities, mostly common stocks, over a long period on constantly rising markets. At present they are hung up with lines of securities which cost them on the average 40% more than could be realized from their sale in the market today.

3. In general the trusts are eminently solvent. The great banking houses behind them, if not in the very front rank, are yet in the second row of Wall Street power. There has been no serious thought that any of the leading ones would not be able to weather the storm, even if the season of it be prolonged.

4. Their failure to foresee the future wisely may be attributed to over-confidence in the market's ability to go on creating ever higher values indefinitely; to inexperience in the very management of an unfamiliar financial form; to weakness before the temptation of a public enthusiasm which seemed to absorb more and more investment trust securities, parent or subsidiary, without question as to the morrow. It is in this last defect alone that the fundamental morality of the trusts can be challenged.

5. Today the weaker trusts are under the necessity of selling some of their better holdings in order to support the market for their own capital shares, which were notoriously and mercilessly pounded in the débâcle. The stronger trusts can and must wait for better days. What they own is theirs outright. It will come back, in time, back to reason, but not back to folly.



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Business to Vote On Federal Reserve

BUSINESS is about to tell the Federal Reserve its opinion of the system and its policies. This for the first time.

The Federal Reserve was set up in 1914, and was designed specifically for the benefit of business. The system's policies have been motivated throughout by a desire to help business. Witness its maneuvers to attempt to check speculation; its easing of money in 1927. Attacked, this always has been the board's defense.

Yet American business never has expressed, in any organized way, whether it approves or disapproves the system, or its methods.

Now the United States Chamber of Commerce plans a national referendum. For a year, a committee has been studying the Federal Reserve. A mass of material has been accumulated. From this material, a comprehensive draft of arguments for and against the board and its policies has been compiled. This is to be sent to local chambers of commerce throughout the country. After a study of this material the local chambers are supposed to vote on various questions.

The exact questions are a closely guarded secret, so far.

The referendum may well have important effects, both in educating American business men generally to the work of the board, and in the repercussion of the referendum results upon the policies of the board itself.

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"Eyanson Affair" Points a Moral

BY A VOTE of 54 to 22, the Senate "condemned" the actions of Senator Bingham of Connecticut in what will go down in history as the "Eyanson Affair." At the last moment, it blunted the point of the rebuke by putting into its resolution a statement denying suspicion of Bingham's motives.

Thus dies away, so far as the Senate is concerned, the first sensation unearthed by the Caraway committee's lobby investigation—but the field is scarcely scratched.

Rarely has the Senate rebuked one of its own members; more significant, never has "Senatorial courtesy" so far weakened in the legislative combat. Little courtesy of the brand peculiarly "Senatorial" was shown Bingham; in fact he complained once or twice on that score. Several of his colleagues spoke words of excuse and palliation; none ventured outright defense. Perhaps some of the plainer Senators rejoiced a little, secretly and wickedly, in seeing the aristocrat baited.

Eyanson, a youngish, studious chap, was "loaned" by the Connecticut Manufacturers' Association to help Bingham with tariff matters. He was put on the Senate payroll as a clerk of Bingham's committee, and as a "secretary" was present during secret tariff conferences of the Republican members of the Senate Finance Committee. When, as it appears, Eyanson and Bingham disagreed with the contentions of a representative of interests asking certain higher duties, the disgruntled man made public the Eyanson-Bingham set-up.

To the lobby investigating committee, both Eyanson and his accuser were tariff

bill "lobbyists." Thus the moral of the Eyanson affair is that "lobbying" often loses its force through counter-espionage, and ends in stalemate.

One Senator declared in debate a major objective of the lobby investigating committee is to build fires for the destruction of the tariff bill. This was denied by committee members, rather heatedly so by the sharp-tongued Caraway of Arkansas. He asserted the committee's purpose to inquire into the activities of lobbyists on all sides of the tariff fight.

Even granting this, the lobby investigation is going to make it no bit easier to pass the tariff bill.

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Farm Relief In British Columbia

BRITISH COLUMBIA has a new "equalization fee" law for its dairy farmers. Each must be registered and must report his sales and prices of all dairy products either raw or manufactured. Differences between what they receive from manufactured products and what these products would have brought as milk, are levied against the farmers in proportion to their output. It is the surplus milk, it is assumed, that goes into manufactured products. In other words, fluctuations in market price are equalized.

This kind of plan has encountered difficulties when attempted by voluntary cooperatives; the farmer who can get a high price hates to turn over his extra profit. He may quit the cooperative. British Columbia has solved this problem by requiring registration and not permitting anyone to sell outside the pool.

The two most popular proposals for farm relief are well illustrated in the dairy business. The problem arises from fluctuations in output which are difficult to control. Cows give more milk in summer, less in winter. There are also the usual demand variations When output is high, the selling price goes down and no one makes much profit. When the price goes up, it is because milk is scarce and no one has much to sell.

There are two ways of attacking the problem based on the theory that farm operations could be profitable if it were not for the recurring surpluses:

1. Equalizing the differences by taking the extra profits away from the lucky ones and paying them to the unlucky, or, as the proponents say, equalizing the losses. Various methods have been evolved for fining the farmer when he produces a surplus. Thus the production curve is levelled by inducing each individual to reduce or dispose of his own surplus.

2. By taking the surpluses off the farmers' hands and pooling them. The theory is that a monopolistic control of the entire surplus makes possible its complete removal from the market if necessary, or its manipulation so that market prices on the remaining normal volume of output will remain fairly constant. The export debenture proposal contemplates such handling of surpluses.

The two plans are both used by New England dairy cooperatives. Connecticut farmers have a system of fines for fluctuations either above or below normal rates of output which has brought about an astonishing levelling of output from season to season.

Other cooperatives in Northern New England, on the other hand, have developed their own factories for utilizing the surpluses of members. They produce their own cheese, dried and canned milk, and other milk products during times of excess output, so that the surpluses can be sold when market conditions become favorable.

▼

Debenture and Public Domain Stir Grange

THE National Grange will hold its seventy-third session at Seattle next week, beginning November 13. There will be much talk about the export debenture plan, which the Grange has vigorously favored; about President Hoover's suggestion to turn the public domain back to the States, which the Grange has just as vigorously opposed—because "such action might result in more rapid development of irrigation projects, with resulting increases in farm lands to add to crop surpluses already burdensome."

Wood engraving by L. F. Grant

The Grange backs the export debenture program on the theory that artificial manipulation of economic forces is necessary to farm prosperity. Dead to this Congress, probably to the next, it would be a mistake to think that it—or something like it—can be buried. Continued and growing disappointment with the present farm relief plan will keep agitation for a direct subsidy going until farmers and government both are prepared for a radically different approach to the problem.

Important Grange affairs before the Seattle meeting include: proposals to erect a national headquarters in Washington; establishment of a North Carolina Grange with the editor of *The Progressive Farmer* as Master; reinstatement of Minnesota after several voteless years.

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Tariff Wind-Up Now at Hand

THE next few days will settle the question whether there is to be any new tariff act at all. The President's statement has not noticeably helped the situation so far. Apparent Senate reaction was a decided let-down of eagerness to go ahead with the bill. However, efforts are being made to persuade contending groups to expedite action, by limiting debate. The Progressive-Democratic coalition is in control, but has no effective program. Regular Republicans seem ready to abandon their nominal leadership, let the coalition write the uncompleted portions of the bill and push it into conference. It is unlikely that the coalition will be enthusiastic for this unless assured that the Senate conferees will stand firmly for all major changes made by the coalition. One leader stated that, even with the coalition in control, it would take several months to finish with the bill.

With apologies to the stock market, uncertainty about tariff revision is the most serious factor disturbing business at present.

CURED?

Automotive—Ford Price Cut Portends Buyers' Market in Cars

PRICE cuts ranging from $15 to $50 on all Model A Fords are apparently designed to clear the market and get rid of present stocks before the advent of the new car announced in THE BUSINESS WEEK of September 28. Despite official denials, the new Ford probably will appear about the first of the year. In accordance with the Ford policy, it is likely that the reductions will apply on the new models, that the revised prices will hereafter be standard for all Ford cars. Other makers probably will announce cuts soon to deplete their excess stocks, but few, if any, are expected to follow Ford's example so far as to establish permanently lower prices.

The fact that the Ford plant has been compelled to cut prices, despite a year of exceptionally good business, emphasizes the troubles that more seriously beset the less successful manufacturer. The remainder of this year offers extremely slim pickings for automotive sales; the outlook for next year is anything but bright. Sales have not kept pace with increasing production. Nearly all dealers have excessive stocks; in some localities, storage warehouses are being filled. Export shipments have been good; export sales have been poor. In some foreign countries, anxious manufacturers are offering discounts as high as 40% on present models.

The situation means simply overproduction. Some industry leaders believe the only solution is a production slash next year.

Rising distribution costs are going to eat up the profits so long as individual makers force sales. Hence, after a year of record sales and production, many manufacturers will show considerable smaller unit profits than in 1928. If major car producers would agree to curtail production 10% in 1930, they say, all would prosper, dealers would be happier, the buying public would gain.

Price reductions on automobiles should be watched carefully and regarded skeptically. The prospective buyer should not only take a trade-in with him, if possible, but should be extremely curious about what is included in the delivered price. These reductions are not always what they seem. Price juggling is always possible where only F.O.B. prices are advertised. Removing a spare tire and wheel from standard equipment makes possible an apparent cut of from $25 to $50 in the F.O.B. price. Usually the customer buys the extra wheel and tire, but its cost is included in "freight and handling charges."

General Motors has recently adopted a practice which Hudson and a few others have been using for some time—that of listing on the price tag the F.O.B. price and the additions for freight, handling and extra equipment to make the delivered price.

Several years ago Hudson undertook to advertise A. Y. D. (at your door) delivered prices, but had to stop. The average customer preferred to buy a car which was advertised at $1,500 but cost him $1,650 delivered, to one just as good advertised and delivered for $1,600. He compares F.O.B. prices; the delivered price, apparently, rarely enters into the decision of the buyer. Yet the difference between F.O.B. and delivered charges ranges from a low of $50 to one particularly flagrant high of $400.

Even on Fords F.O.B. and delivered prices may be juggled. All Ford cars, when they leave the factory, are equipped with front and rear bumpers—whose cost is not included in the advertised price. Theoretically, a buyer does not have to purchase them, but he is seldom aware that their price is tacked on to the freight and handling charges. So

BACK TO SCHOOL P. & A. Photo

The teacher—Dr. Robert M. Hutchins, youthful president of Chicago University. The pupils—Chester W. Cathell, director of Transcontinental Air Transport; Frederick S. Snyder, chairman Institute of Meat Packers; Thomas E. Wilson, president of Wilson Packing Company; William A. Starrett, president Starrett Corporation, builders, and L. A. Downs, president Illinois Central. Scene—sixth Conference of Major Industries, held in Chicago, October 23

Mr. Ford advertises his car at some $15 to $25 less (depending upon the price of the bumpers) than the buyer actually pays for it.

During the past summer another equally well-known manufacturer advertised a price cut of $40 on some models. The actual reduction was only $15. A cowl band carrying cowl lights had been offered as extra equipment; few buyers wanted them; so the manufacturer added the cowl bands and lights as standard equipment, increasing his F.O.B. price by $25: then he reduced it $40 amid a fanfare of publicity.

Car designs continue to add cylinders. At least half a dozen six-cylinder cars will soon be changed into eights. One manufacturer who produces a great variety of models is said to have completely engineered eight-cylinder engines ready to drop into the chassis of all models if conditions warrant. The Cadillac sixteen-cylinder engine has been officially announced; several other sixteen-cylinder jobs, as well as some twelves, are being designed by the makers of higher priced cars.

Labor ► Ford Faces First Strike

As popular in most foreign countries as his automobile is Henry Ford. His name breaks from the tumult of an Arab confab at corner coffee shop, to enlighten the puzzled foreigner as to what it's all about. His wealth, his car, his high wages are the marvel of the Chinese.

Not so cordial are the Mexicans. Last week the 300 men in the Ford assembling plant in Mexico City walked out, precipitated the first Ford strike, demanded collective contracts, union recognition.

Perturbed, but not worried, Ford foremen closed shop, requested 400 cars from Houston, Texas, for tide-over, prepared to secure government support in obtaining settlement.

Meanwhile interested onlookers in industrial circles blamed labor agitation in connection with Mexico's new labor code, the 600 articles of which are being argued in the Chamber of Deputies. But even labor interest is shifting to the approaching elections. Pessimistic business interests are marking time; unemployment is increasing; production gloomily falling off.

Herbert Photo

"I AM BUYING STOCKS"

So says John D. Rockefeller, "believing that fundamental conditions are sound"

Service ► To Keep Wash In the Family

A NEW note in mergers was sounded with the organization of the Consolidated Public Service Corporation of Delaware, linking a chain of hotels and apartment houses with the laundry and linen supply business. This first concern of its kind in the United States takes over control of three Los Angeles corporations. Consolidated Hotels, the Home Service Company, and the United Linen Supply Company: total assets, $12,000,000.

Consolidated Hotels operates under lease 106 hotels and apartment houses in Los Angeles. Home Service Company handles about 45% of the local laundry work. United Linen Supply Company combines five concerns doing half the city's linen supply business.

Hotels and furnished apartments contribute heavily to the business of laundries and linen supply houses.

Agriculture ► Wheat Position Weakens Under Heavy Fire

THE stock market break gave a severe but temporary jolt to the wheat interests in the United States and Canada who have been holding on for higher prices. The players in this gigantic gamble were not shaken out completely, although there was drastic liquidation in the Chicago market. In this country the Federal Farm Board came to the rescue with promise of $100,000,000 or more of credit to maintain minimum prices, as described in last week's issue of THE BUSINESS WEEK.

Canadian correspondents of THE BUSINESS WEEK report that the Canadian wheat pools will not be seriously weakened by the break in the Winnipeg wheat market. The pools this year have had the financial backing and sympathetic support of some of the large Canadian banks and their credit is sound. The break means, of course, that the pools met with partial failure in the attempt to hold Canadian prices well above those at which British and European buyers have been filling their requirements from other countries. The reports of heavy wheat crops in other countries, the effect of these on world prices, finally made it apparent that pools had to give ground, and the break came. It came in part, however, as a sympathetic response to the stock market collapse.

Unfortunately, the drop in Canadian wheat prices came too late to relieve congestion of grain in Canadian ports. Navigation on the lakes will be open only a few weeks longer. Rail transportation to ocean ports costs so much more than water shipment that Canadian farmers will not be greatly ahead when the export movement of wheat does come. In the meantime, general business of the country has suffered heavily from the falling off in railway traffic and other lines. But the pools are too strongly entrenched to be damaged by failure to control prices and by members' losses.

Even without the break in the wheat market, the outlook for higher prices had dimmed. The "impending world shortage" which caused the sharp July rise in prices ignored the tremendous carryover of the United States and Canada. These surpluses at mid-year

totalled 375,000,000 bushels. Present estimates of world import requirements —696,000,000 bushels—indicate a deficit of only 47,000,000 in this year's crop. This would leave a 300,000,000 bushel carryover in the United States and Canada for next year, whereas their normal carryover is between 150,000,000 and 175,000,000. Even if world import requirements reached 775,000,000 bushels, the American and Canadian carryover would still total 250,000,000 —which would be exceedingly burdensome on the market next July. These are the best figures that Chicago experts can give THE BUSINESS WEEK.

They admit, however, that estimates of import requirements are exceedingly uncertain and leave much to be desired. Too much attention, they say, has been concentrated on the question of supply and not enough on demand. More intensive research is needed in the Department of Agriculture, if the Farm Board's present policies of price stabilization are to be carried out with any prospect of avoiding a loss and disappointment to the Government and to wheat growers.

Railroads ►

Wheat Fiasco May Affect Rate Decision

THE fallacy of the curious reasoning that the price of wheat in the United States is invariably the price at Liverpool less the cost of moving it to Liverpool, has been amply demonstrated by the failure of the reduction in export rates granted by the railroads last May at the request of President Hoover. These emergency rates, which expired on September 30, were expected to stimulate the movement of wheat which had accumulated in terminal elevators, and to increase the price, thereby helping the farmer. They did neither. The cost of moving wheat to Liverpool remained steady at around 14½¢ a bushel. At the same time, the Chicago price varied from 96¢ to $1.55 a bushel. The range of 59¢ was more than four times the freight rate to Liverpool, was eighteen times the emergency reduction.

The Hoch-Smith resolution now before the Supreme Court demands various reductions on the basis of the same reasoning used last May to effect the lowered wheat rates. It directs the I. C. C. to "effect with the least practicable delay such lawful changes in rate structure . . . as will permit freedom of movement by common carriers of products of agriculture, including livestock, at the lowest possible rates compatible with the maintenance of adequate transportation service."

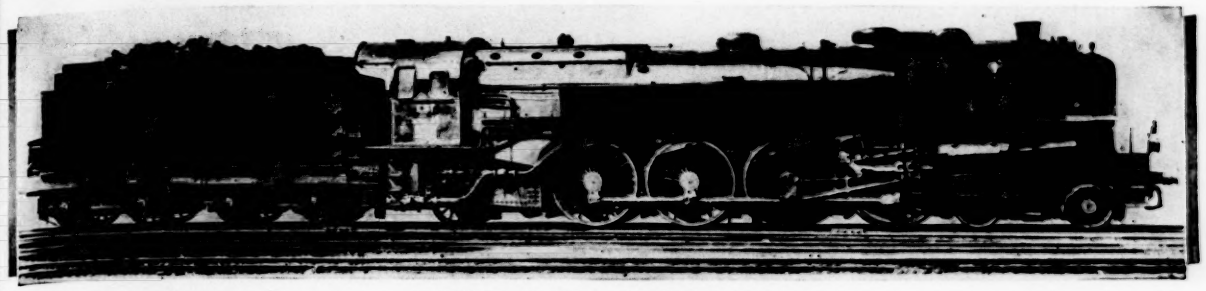
Oral argument was heard last week in the California fruit rate case, involving the constitutionality of rate reductions ordered by the I. C. C. in 1927 under the Hoch-Smith resolution.

In this case the carriers contend that application of the resolution throughout the country would cause them to lose millions of dollars in revenue. Herman Phleger, arguing for the carriers against Charles E. Hughes, Jr., for the government, contended that the resolution actually regulates industry and not commerce. He further contended that under it, any industry showing depression could apply to the commission and obtain rate reductions for its products, even though rates in existence were just and reasonable.

The forthcoming decision of the Supreme Court, so far as the railroads are concerned, may well be another "O'Fallon Case," for it involves the whole question of manipulating freight rates for the benefit of particular groups. It is of especial importance not because of its bearing on one group of commodities, but because the railroads contend that the resolution would permit confiscatory reductions. Moreover, the resolution is susceptible of innumerable interpretations.

AERIAL DISASTER

But it's only a model airplane being struck by artificial lightning at the outdoor laboratories of the Ohio Insulator Company at Barberton, Ohio. Research is under way to determine hazards of lightning in flying, and to find means of protection



FRENCH GIANT OF THE RAILS

With ten of these super-Pacific locomotives presently in operation, the Paris-Cherbourg boat train schedules will be cut from 5½ hours to 4 hours for the 232-mile run—an average speed of 57 miles an hour

Production ►

Expect Newsprint Price To Stand Unchanged

CANADIAN newsprint paper producers usually notify contract customers of proposed price changes some time before the end of November. There has been uncertainty this year whether newsprint prices would be raised on new contracts and adjustments made in some large-consumer contracts with four years more to run. Conferences are going on in Montreal where there is general dissatisfaction with the present scale.

THE BUSINESS WEEK is now informed on the best possible authority that newsprint prices are likely to remain unchanged in new contracts on a basic price of $55.20. There may be some adjustments according to transportation regions.

The existing scale was fixed at the beginning of this year only after the intervention of the provincial premiers when a price-cutting war was threatened. The result was a compromise price, generally understood to have been unprofitable to a large proportion of the capital invested in the industry.

It has been felt in all quarters that if some change were not made the mills would face another long period of profitless operation and a possible price war. This would drive some mills out of business, prevent new capital from entering the industry for years. It might ultimately lead to higher prices when consumption, growing steadily and rapidly, overtakes existing capacity. The standing contracts for the next four years are reported to be the chief obstacle in the way of upward price adjustment. The premiers of Ontario and Quebec have already indicated that every means will be taken to improve the situation, which is much the same as that which existed a year ago.

There is considerable over-capacity in the industry at present, with mills operating at about 85%. But in the first nine months of this year production gained 9%, while consumption increased about 10%, as compared with a normal growth of 7%. At this rate of gain it is doubtful whether prices can remain at present levels for another year.

The newsprint industry has been moving rapidly to Canada and is retreating from the United States, as American mills are going over to higher grades of paper. Large amounts of American capital are invested in the Canadian industry. The prospective price situation is of interest not only to this American investment but to American users of newsprint.

Transportation ►

Shooting Down To Cherbourg

European Bureau The Business Week

TWO hundred thousand American tourists and business travelers were carried last year between Paris and Cherbourg, the westernmost passenger port of France, nearest the steamer lanes, furthest from the capital. The run of 232 miles over steeply rolling country takes five hours and a half. Now they are going to make the run in four hours —at an average speed of 57 miles an hour, making Paris-Cherbourg transit one of the fastest in the world.

The French State Railways have just ordered for this run ten Super-Pacific locomotives to be built in their own shops at Five-Lille. They will haul a train of ten 60-ton cars, American Pullman type, will rank with the most powerful traction units in Europe—with the locomotives hauling such de-luxe trains as the "Golden Arrow," Paris-Calais-(London), and the "Blue Express," Paris-Riviera.

The roadbed to Cherbourg is largely to be rebuilt to permit this almost unprecedented speed across rough country. In addition, docking facilities in Cherbourg harbor will be extended, tender service eliminated, the largest ocean liners berthed at covered piers, terminals for the boat trains.

Those who know Paris will welcome the announcement that the Invalides station on the left bank will be used for the boat services instead of the congested St. Lazare, as at present.

Statistics show that in 1901, 300 liners disembarked some 18,000 passengers at Cherbourg; in 1928, 503 liners disembarked 112,853 passengers. With the inauguration of the new services planned for 1931, Cherbourg and Le Havre will probably become the premier passenger ports not only of France but of all Europe.

▼

No American train averages 57 miles an hour for any comparable distance. The Century, the Broadway and some other New York-Chicago specials average forty-eight miles; the Atlantic City Limited averages fifty between Manhattan and the Jersey coast resort.

Railroads ►

Penn Scores On Van Sweringens

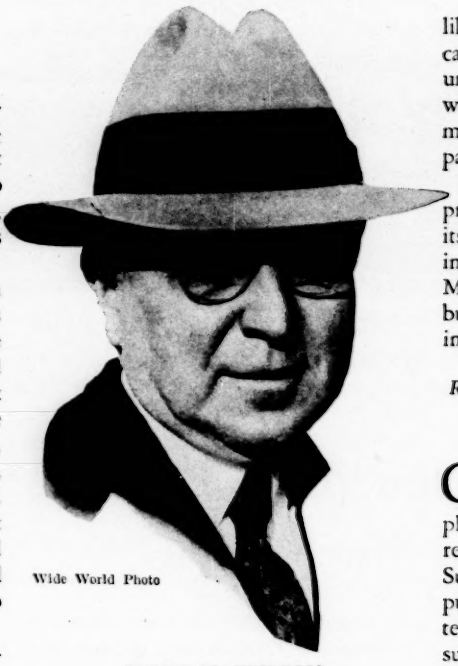
RECENT purchase by Pennroad Corporation, Pennsy's holding company, of the Taplins' Pittsburgh & West Virginia has thrown a bomb-shell into the camp of the Van Sweringens. Now, the warfare for control of strategic roads is on in dead earnest.

This is the first real skirmish between the Pennsy and the Van Sweringens since last August when the latter got the best of it. Up to that time, Pennsy had the drop on both the B. & O. and C. & O., its chief rivals, through the purchase of two strategic railroad properties. First, Pennroad acquired control of Detroit, Toledo, and Ironton, sought in B. & O. merger plans. Then Pennroad bought the Canton Terminal at Baltimore, still more coveted prize. These moves spurred the B. & O. and Van Sweringens to counter-action.

B. & O. offered to purchase the Buffalo & Susquehanna, if the Interstate Commerce Commission approved. Ordered to divest itself of Wheeling & Lake Erie stock, B. & O. sold these holdings to the Van Sweringen's Allegheny Corporation. Likewise, desiring to win the good graces of the I. C. C., the Van Sweringens trusteed 53% of this stock with the commission's approval. Result: Pennsy forestalled, I. C. C. favorably impressed.

But what's the situation now? It looks like a direct hit on the Van Sweringen's consolidation plans. C. & O. and B. & O. have both wanted the Pittsburgh and West Virginia, and, through petitions, have asked the commission to let them share it equally with New York Central. C. & O. asked for exclusive control of the P. & W. Va. lines east of the Ohio. And now the Pennsylvania has spoiled all their fun.

Why all this shooting over a small road like the Pittsburgh & West Virginia? Because of its strategic connections, vital to merger plans of the systems involved. With the Wheeling and the Western Maryland, it provides a connection to Baltimore and Norfolk. Pittsburgh & West Virginia has large holdings in Wheeling, controlled by the Van Sweringens through stock now in the hands of a trustee. B. & O. still has control of Western Maryland even though the commission warns that it is held illegally.



Wide World Photo

JOHN N. WILLYS

Former automobile manufacturer, no longer connected with Willys-Overland Company, arrives in New York on steamer Leviathan

Although the Van Sweringens are still smarting under the blow, Pennsy's control of the Pittsburgh and West Virginia may have its compensations. The original owners of P. & W. Va., the Taplins, were anything but friendly to O. P. and M. J. In fact, they blocked the Cleveland brothers whenever they got a chance. The new owner can't irk them any worse.

Railroads ►

Company Lines Again Attacked

THE U. S. Department of Justice has alarmed corporations that own or control railroads by an action against their lines for alleged violations of the commodity clause of the Interstate Commerce Act. A test case will challenge four railroads owned by U. S. Steel Corporation: the Elgin, Joliet & Eastern. Bessemer & Lake Erie, Union Railroad, and Lake Terminal Railroad. The U. S. Attorney General thinks these roads have been private rather than common carriers.

The Interstate Commerce Act does not forbid ownership of roads by corporations; it does forbid traffic discrimination in favor of owners. Many industrials, like U. S. Steel, have small but strategically placed roads handling large volumes of interstate traffic. They operate with the powers and privileges of common carriers; as a rule, are mere departments of the owner corporations.

Other lines affected by the proposed proceedings against U. S. Steel would be its iron-ore carrier in Minnesota, including the Duluth, Missabi & Northern. Montour Railroad, controlled by Pittsburgh Coal Company, is likewise watching the suit.

Railroads ►

Group Plan May Carry Surprises

COMMISSIONER CLAUDE R. PORTER hopes that the I. C. C.'s final plans for railroad consolidation will be ready for Congress before January 1. Subject to limitations imposed by the public interest, the commission is attempting to arrange groupings that are sufficiently advantageous to interest the carriers. But consolidation is voluntary, and the commission must exercise great care not to step on the railroads' toes.

While the plan mentioned by Mr. Porter will be the "final" arrangement, it will not be the last word on the subject. The commission may, upon its own initiative or by request, make such changes as will be in the public interest. The final plan is expected to differ greatly from the Ripley Plan of 1921. Prior to its adoption, however, the commission has given assurances that unifications approved by the commission will not be disturbed.

Several groupings, differing from the tentative plan, have been authorized by the commission. They include the unification of the Père Marquette with the C. & O.; the unification of the Kansas City, Mexico & Orient with the Atchison. In the tentative plan, each of these roads was allocated to other groups.

Mr. Porter, and others who have studied the question, believe that between ten and thirty systems are necessary to meet the requirements of the transportation act. These systems should be so arranged as to preserve competition as far as possible, and they should employ uniform rates in the movement of competitive traffic. There is much speculation as to just how far Mr. Porter's "final" plan will run counter to the private plans of the railroads.

Distribution ► "Meat-Minded Retailers" Get a Hearing

SCENE: Department of Agriculture, Washington. Secretary Hyde's committee collecting agriculture's opinions on modification of packers' consent decree.

CHARACTERS: *Renick W. Dunlap,* assistant secretary of agriculture.

Dr. Nils A. Olsen, chief of bureau of agricultural economics.

Sam R. Guard, editor, *Breeder's Gazette,* Chicago, concluding witness of the inquiry.

Secretary Dunlap: You stated a while ago that chain stores, as a rule, sell meat cheaper than independents. Do you believe that, even though they sell at lower prices, chains make more profit from selling meats than do independents?

Mr. Guard: I do, Secretary Dunlap.

Secretary Dunlap: Now, in the event that packers were permitted to enter the retail business, is it your opinion that they would sell at even lower prices and thus require chain stores to come down in price?

Mr. Guard: I think that would be the tendency. There would be a merry price war for the consumer's trade, which is all right with me. We farmers want to get beefsteak in the dinner bucket of every workman in the country. Heretofore the most restrictive influence on meat consumption has been price.

Secretary Dunlap: Is it or is it not a fact that many small retail stores have very incompetent cutters; therefore, waste a lot of meat and consequently must sell at a higher price?

Mr. Guard: That is very true. New developments in packaging of meats make possible keeping all bones and waste in the packing house instead of leaving it to the grocery cat. The new method of frosting and packaging which comes to us from the Gloucester fishing industry might work a vast reform in the merchandising of meat. Big packers should be encouraged to develop such a process.

Secretary Dunlap: One more question. Is it your opinion that if packers enter the retail business it would have a tendency at least to standardize meat, both as to cut and quality?

Mr. Guard: Exactly, just as gasoline and motor oil have been standardized by the same process.

Dr. Olsen: Why do you think big packers will work out new merchandising methods more readily and effectively than large chain stores and other agencies already in the field?

Mr. Guard: Because packers are interested primarily in selling meat. They will be meat-minded retailers; meats will be their leaders rather than groceries.

Dr. Olsen: Have you any evidence that if the decree were modified the packers will go into the retail meat business?

Mr. Guard: I have none. I would like to have it. With their efficient organization, their capital and their understanding of the meat business, a great saving in the distribution of good meat would be effected.

(CURTAIN)

Court hearing on the petition of the meat packing companies for modification of the consent decree, scheduled for Nov. 6 has been postponed to Nov. 14.

Of 133 agricultural groups represented in preliminary hearings at which the above testimony was given, 113 favored modification of the consent decree, 12 opposed it, 8 were neutral.

Wholesale grocers are actively opposing any modification of the consent decree. Letters are pouring into Congress from grocers all over the country. They maintain that the danger of monopoly is as great now as ever, and say that certain packers have failed to divest themselves of parts of their business which they agreed to eliminate in 1920.

Service ►Room and Board For Man and Car

THE first of a chain of hotels designed to serve automobile tourists was opened at Columbia, Mo., last week. Pierce Petroleum Corporation is behind the scheme. The name, "Pennant" hotels, ties in with the Pierce brand of gasolines and oils.

Hotels are to be built on 10-acre tracts three to eight miles from the center of town. Three-and-a-half story Colonial structures, painted white with green trim, they will have no lobby, no hotel office, no assembly or ball rooms. Each room, all of them outside rooms,

SHOWING DAD HOW

A few of the 750,000 members of the 4-H Clubs (Head, Heart, Hands, Health), who will produce this year animals and crops valued at $15,000,000. The eighth annual Club Congress will be held in Chicago Nov. 29-Dec. 6

will be equipped with two double beds.

On the Columbia property—and scheduled for all others—is a Pierce terminal, with restaurant, steam laundry, complete service station equipment. Cars are parked on the hotel's first floor which provides one parking place per room. During the night patrons' cars are washed, tires checked, radiators filled, upholstery and rugs cleaned. These services and parking are free. Room rents are $4 for one person, $6 for two, $7.50 for three, $9 for four.

Hotel buildings cost about $200,000; the terminals, another $200,000. Since plans were announced the Pierce company has received requests from 44 chambers of commerce to build terminals and hotels near their cities.

Distribution ► **Formal Ethics For Jewelers**

THE Federal Trade Commission has announced its rulings on the code of business practice for the jewelry industry. Forty-six rules were proposed by the industry; the commission approved 17, giving those the force of legal authority; 24 were accepted as "expressions of the trade"; the remaining five were rejected.

The 17 accepted as defining acts of unfair competition covered the branding and sale of products of the jewelry industry, proper labeling of imitations, payment of secret rebates, lessening competition by selling goods below cost, price discrimination, interference with contracts, commercial bribery and misrepresentation.

The list is significant as indicating the kinds of acts the Commission will use its authority to stop. "To describe any imitation of a genuine or synthetic stone as other than an imitation is an unfair trade practice" reads Rule 6.

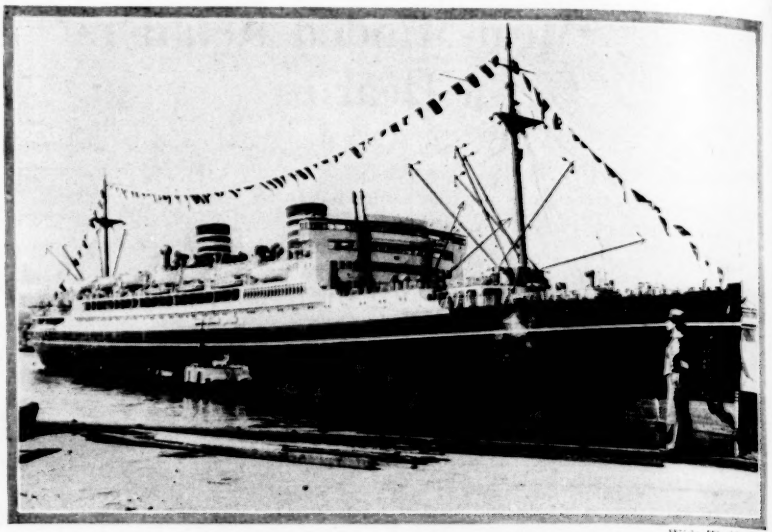
Transportation ► **Old Man River Reaches Overseas**

PLANS for development of river transportation, once the visionary dream of enthusiasts, come near being bankable paper. Recent developments add point to the convention of the Mississippi Valley Association, Nov. 11 and 12, at St. Louis.

Export trade of St. Louis is growing, is now $40,000,000 a year. Much of it moves down the river to New Orleans. This speaks eloquently of possibilities.

The positive terms in which President Hoover at Louisville committed his administration to early completion of the 9,000-mile Mississippi system bolsters the Association's program for a 9-foot channel throughout. The President calls this economically justifiable. The Association foresees immense commercial benefits, including large slices of well-buttered foreign trade, for St. Louis, Chicago, Kansas City, Minneapolis and St. Paul, and Pittsburgh.

Quick to follow up advantage, St. Louis business men called a foreign trade conference for Nov. 13, to be addressed by E. B. Fillsinger, vice-president Royal Baking Powder Co., writer on foreign trade.



Wide World Photo

NIPPONESE MOTOR SHIP

Asama Maru (23,000 tons, cost $6,000,000) arrives at Los Angeles on maiden voyage from Nippon under command of Captain G. Shinimiya. The largest motor ship ever built in Japan, and designed for nineteen knots, the Asama Maru developed twenty-one on first trip, establishing a record

Engineering ► **World Surveys Its Engineering Job**

TOKIO reports the World Engineering Congress now being held there by representatives of twenty-six countries, "an important and impressive gathering." Papers dealing with all phases of engineering education are on the program. Expected result: better understanding and appreciation of the work and aims of the various nations.

Aviation ► **America's First Air Freight Line**

ENCOURAGED by government bounty, Deutsche Lufthansa has for more than a year carried freight in Germany. Cooperating with railroads, it has picked up special shipments, carried them for long stretches over established air routes, returned them to the railroads for final delivery. A single bill of lading has been perfected for combined air and rail use.

Air-minded Californians this week announced America's first all-freight air transport, Aerial Express Corporation, Limited, with headquarters in Los Angeles. Service will begin December 1 and will connect all important cities along the Pacific Coast from Mexico to Seattle.

Seven planes with specially designed fuselage, each capable of carrying 1400 pounds of freight, two of them equipped with electric refrigeration for carrying perishable freight, will compose the fleet.

Offices and freight depots will be established in all marketing centers; shipments will be picked up and delivered, within a 5-mile radius, by company trucks. Service eventually may become national.

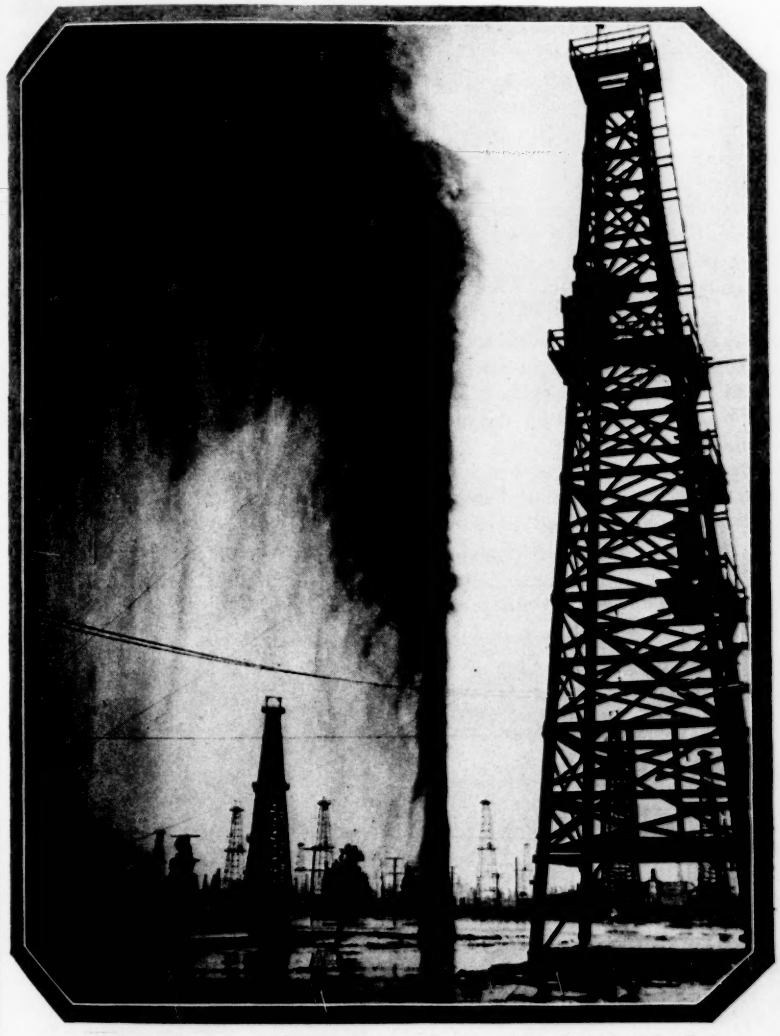
Distribution ►

Hand-to-Mouth Buying Now Proves its Point

THE stock market cracked. Immediately everyone paused to inspect his own foundation walls. "Can the temblor find a weak spot in my business?"

Promptly the great underlying strength in the technical position of one trade after another has been reported. Overloaded inventories spelling ruinous losses are not general.

Retailers learned the trick of hand-to-mouth buying in 1921. They have been studying and refining their technique ever since. Their trade journals have been suggesting simple stock control methods; the Department of Commerce has shown them the advantages of inventory-taking and stock analysis; their conventions have driven home the lessons. Retail hand-to-mouth buying is now widespread and, as a result, inventories are low. Retailers expect to sell a fair proportion of their Christmas stocks this year whether the stock market is up or down.



International News Reel

A GUSHER IN A CITY

But it made nobody happy when an abandoned well at 125th and Figueroa streets, Los Angeles, "came back" to rain mud and water on a hundred homes, doing damage estimated at many thousands of dollars

Manufacturers also learned their lesson in 1921. Most of them now have inventory control in some form. They have been buying for needs only; speculative loading up of raw materials and supplies has gone out of style. Railroads, speeding up delivery, have helped. Production budgets—hard to plan under such buying, but essential to such buying—have helped. High-power selling is not needed with planned purchasing.

When the wholesaler, hardest hit by hand-to-mouth buying, tried to pass the job of supplying hand-to-mouth retail purchases back to the manufacturers, he almost passed back his whole job. When he cut inventories too far, retailers discovered they could get merchandise direct from the manufacturers just as quickly or even quicker. Yet, even here, though inventories have been too low, hand-to-mouth buying is not the basic trouble. It is ignorance of demand trends, neglect of scientific stock control to match the demand that must take the wholesaler's blame for his difficulties. Even bad hand-to-mouth buying may be a blessing at the moment.

On the other hand, the merger effort toward great savings and greater profits, depends on the sale of new issues of stocks and will experience at least a temporary setback. Merger financing profits will necessarily be smaller and not quite as attractive with stock prices lower. Some merger negotiations may actually be dropped.

Furthermore, plant extensions planned because share capital has been easily available at attractive mark-up prices may be curtailed. In fact, word is coming in that some manufacturers of plant equipment have received more than normal cancellations during the past week.

In so far as mergers or extensions have reached beyond sound justification, the stoppage will aid in keeping industry on a sound basis. Where there is justification, however, the promoters may discover the bond market once more and strike a truer balance between bonded indebtedness and share capital.

Considered from all these angles, the recent stock flurry need not be expected to "rock the boat" except in so far as individuals who have lost their paper profits may start living more economically, may stop excessive luxury buying. Hand-to-mouth buying, once the target of industrial orators, may be thanked for the healthy condition of industry today.

Utilities ►

Foshay's Business Tower Falls

A TOWERING business structure that rose too fast and was built too lightly to stand the crash of falling securities: this is the picture the Northwest sees of the failure that has just placed the W. B. Foshay properties, centered at Minneapolis, in receivership.

The picturesque rise of Wilbur B. Foshay from Columbia University art classes through railroad offices to a utilities throne in the Northwest is a typical story of American business life and a typical episode of recent utilities expansion.

Foshay had twice built up a chain of public utilities, twice sold them to Eastern interests. When his tower fell, he was building a third, already serving 192 communities from Alaska to Central America, 320,000 persons; an organization employing more than 800 persons and valued at from $20,000,000 to $30,000,000. Investment banking was on the program; it owned some small commercial banks in the Northwest, had visions of a country-wide banking chain. Recently he dedicated an extraordinary skyscraper-tower, a landmark in Minneapolis.

Foshay went over a brink on which many a booming business has stood. The sudden and tremendous decline in security values plus a shrinkage in real estate values due to money stringency pushed him over the edge.

While the Foshay organization was small compared with the huge eastern concerns, its collapse is of major proportion in its field. The Northwest, hit by the 1921 deflation and the land boom collapse, is jarred again.

The failure is a blow to the public utilities field, too, and another brake on expansion, reinforcing the Boston Edison decision, the harsh remarks of the Massachusetts Utilities Commission, the friction in Washington.

History couples such events with rapid expansion. Railroads, mining and banking have run the same course, suffered the same difficulties. No basic unsoundness in the industry is indicated.

Distribution ►

No More Deceptive Containers?

THE new Federal Law known as the Standard Container Act of 1928 went into effect November 1. It applies to intrastate as well as interstate commerce and supersedes any conflicting state laws.

Under it non-standard hampers and baskets, among which are the 10-quart, 14-quart and ⅞-bushel sizes, may no longer be used for fruits or vegetables. Any containers that do not comply with the Act which are made, sold, offered for sale or shipped are liable to seizure and condemnation. Straight-side or tub baskets are classed as hampers or round-stave baskets depending on the method of construction.

The application of this Act will aid retailers as well as consumers in avoiding misrepresentation and price reductions based on short weights and sizes. What looks to be standard will more often be standard from now on.

Production ►

Rug Industry Goes East and Prospers

THE Persian government's protest against "American orientals" (they are not easy to distinguish from the genuine) shows the importance of the American rug industry's most important development in thirty years. Leaders of rug-making in this country have discerned such widespread possibilities in the domestic oriental, especially when it so nearly resembles the real thing, that they are concentrating on its production.

The domestic oriental is called a major reason for the current revival in rug and carpet sales. It fits into a special price class, and, on the whole, costs more than such standard products as Axminsters, tapestries and weaves. It is nearest the Wilton, although prominent Wilton makers, who also make orientals, say that the intensive promotion of the new rug has increased the sales of wool and worsted Wiltons. Moreover, they say, the promotion is creating a new "rug consciousness" in the minds of Americans.

Many technical problems had to be worked out before the domestic oriental could be marketed. A new type of loom was needed. Some manufacturers adopted German looms; others purchased new designs made by American manufacturers. Spinners of woolen and worsted yarns developed special yarns to meet the demand. New dyes are being provided by American firms. A chemical bath was developed that produces the sheen of the oriental. The domestic oriental has been developed within two years.

Wide World Photo

MUNICIPAL MUSHROOM

Town of two buildings and twenty persons, Van, in Van Zandt County, Texas, grew overnight to 2,000 population and many buildings. Reason—oil, latest strike in Lone Star State

Aviation ► **Safety Planes In Gruelling Test**

AIR-MINDED Harry F. Guggenheim founded the Daniel Guggenheim Fund for the Promotion of Aeronautics three years ago. It has spent $5,000,000 "to assist in making air transportation safe, popular and regularly available."

To the average citizen the activities of the Fund seem ended. To frequenters of Mitchel Field, Long Island, and to a dozen manufacturers representing several countries, one of the Fund's most significant plans remains to be completed.

The manufacturer of some one of the 12 planes, successful in preliminary trials, now completing tests in the safety contest, will have the prestige of making "the safest plane," will receive the $100,000 award, and benefit by valuable advertising.

Tests are gruelling, may be completed in early December, more than likely will continue into the new year. It is the last official act in the long beneficial program of the Fund.

In retrospect, air experts point to Lindbergh's tours in the United States and through the Caribbeans, to fog flying tests and results, to recently-invented safety devices, to the $1,250,000 promoting aeronautical education, as outstanding accomplishments. The internationally minded recall gifts of $10,000 each to aeronautical societies in Great Britain, France, Italy, Germany; $500,000 for development of aviation in Chile, seat of Guggenheim copper and nitrate holdings, source of Guggenheim wealth.

Finance ► **States Are Better Bankers**

STATE banking departments are steadily improving both in supervision and in examination. Reasons: Better pay and longer terms of office attract abler men; granted more power, they now function more effectively.

The American Bankers Association reports these conclusions of a five-year study of state banking departments; notes that the level reached in states is still well below that of the national banking system and the Federal Reserve; deplores lack of uniformity in state banking laws.

P. & A. Photo

IT'S A BOAT

And not a prehistoric monster. An unusual view of the new German cruiser Leipzig, just after launching at Wilhelmshafen, Germany

Lumbering ► **Chief Buyer Calls For Grade-Marks**

THE largest user of lumber on the North American continent has decided to use hereafter, when possible, only grade-marked lumber, each piece stamped according to standards set by the National Committee on Wood Utilization. The customer is the United States government, acting under orders issued to the departments by Admiral Rousseau, chief coordinator of the United States.

Government action will give impetus to the general use of the grade-marked lumber. Admiral Rousseau cites as advantages: Intentional or unintentional mixing of grades prevented; ultimate user of lumber better informed on lumber grades, insuring more economical use.

Labor ► **More Incentive; More Work**

MANUFACTURERS who have adopted incentive plans for wage payment have found the results, so far, to be reductions in manufacturing costs and fatter pay envelopes for individual workers. These conclusions are based on reports to The Sherman Corporation by 893 industrial companies with 502,273 employees.

Thirty-nine of the reporting companies have revised their wage methods during the past twenty years. The straight time system, with an hourly, daily, or weekly wage, is still in widest use, comprising 66.4% of the total. Second is the piece rate method, with 24.1%. Third is the premium or bonus method, with 9.05%. The trend toward group standards, as told in THE BUSINESS WEEK for November 2, is very perceptible, especially in automotive, heavy machinery and light machinery and tool classifications. American manufacturing industries which have made greatest use of the wage incentive plans include automotive, electrical equipment, candy and confectionery, hardware, iron and steel, machinery, tires, wood products.

Finance ► **Steel Income Up Most; Auto Least**

NET income of corporations for the first nine months of 1929 was 25.6% higher than for the same period of 1928. In this advance, shown by a Standard Statistics compilation of data on the first 209 corporations to report, highest gain was made by steel companies, lowest by automobile concerns. Total net income of the 209 companies was $1,154,632,000. The general trend in the present quarter is somewhat downward. While income for the year is almost certain to show an increase over last, the percentage of increase probably will not be so great for the 12 months as for the first 9.

The growth in net income for the 9-month period is shown by the following list of the number of reporting companies in each group with the percentage of income increase reported by each group: 16 steel, 94.5%; 3 railroad equipment, 43.5%; 17 auto accessory, 41.8%; 15 oil and refining, 32.1%; 7 chemical, 23.4%; 18 food, 18.9%; 16 utility, 14.6%; miscellaneous, 14.1%; 11 automobile, 8.2%.

What the Figures Show

FIGURES OF THE WEEK

(Compiled with the co-operation of the Survey of Current Business)

	Latest Week	Preceding Week	Year Ago
PRODUCTION			
Steel Mill Operation (% capacity)	78	80	86
Building Contracts (F. W. Dodge, daily average in thousands)	$18,729	$14,688	$19,656
Bituminous Coal (daily average, 1,000 tons)	1,897	1,858	1,875
Petroleum (daily average, 1,000 bbls.)	2,819	2,870	2,497
TRADE			
Car Loadings (daily average all classes, 1,000 cars)	189	198	194
Check Payments (outside N.Y. City, millions)	$ 7,950	$ 7,244	$ 5,968
Wheat Receipts (1,000 bushels)	8,720	9,323	14,995
Cotton Receipts (1,000 bales)	877	910	767
Cattle and Calves Receipts (1,000 head)	422	383	402
Hog Receipts (1,000 head)	575	521	559
Wool Receipts (1,000 lbs.)	2,323	4,616	2,111
PRICES (Average for the Week)			
Wheat (No. 2, hard winter, Kansas City, bu.)	$ 1.19	$ 1.17	$ 1.12
Cotton (middling, New York, lb.)	$ .182	$ .183	$ .195
Iron and Steel (composite, ton)	$36.09	$36.09	$35.81
Copper (electrolytic, lb.)	$ .178	$ .178	$ .158
All Commodities (Fisher's index, 1926-100)	93.7	94.1	97.9
FINANCE			
Total Loans and Discounts, Federal Reserve member banks (millions)	$18,934	$17,500	$16,077
Commercial Loans, Federal Reserve member banks (millions)	$ 9,755	$ 9,580	$ 9,119
Brokers' Loans, New York Federal Reserve member banks (millions)	$ 4,882	$ 5,538	$ 4,979
Federal Reserve System Ratio	69.8	69.4	67.1
Stocks Sold (N. Y. Stock Exchange, 1,000 shares)	43,500	37,502	19,487
Stock Prices (N.Y. Times, average 50 stocks)	$217.83	$263.92	$210.46
Bonds Sold (N. Y. Stock Exchange, par value, thousands)	$80,388	$90,065	$47,607
Bond Prices (Dow, Jones, average 40 bonds)	$ 93.01	$ 93.61	$ 96.82
Interest Rates—Call Loans (daily average)	6%	5⅜%	7½%
Interest Rates—Time Loans (daily average)	6¼%	7¼%	7%
Business Failures (Dun, number)	414	455	420

THE latest week's records show that basic industrial activity and general trade are so far holding up well in face of continued stock market liquidation. What slowing down has appeared is extremely gradual and in larger part normal for the season.

Steel ingot production averaged about 78% of capacity as against nearly 80% in the preceding week and 86% a year ago at this time. This reduction is considerably more moderate than took place at this time last year, and operations are expected to hold fairly close to the present level for some weeks. The Steel Corporation is operating at somewhat over 80% of capacity as compared with 82% last week and 85% a year ago. Independents are down to below 75% as compared with 77% in the two preceding weeks and 87% last year. The situation as regards steel demand has seen no material change as a result of the stock slump. Structural steel orders are considerably lower for the week, but prospective construction business is considered good and railroad demand continues heavy. Pig iron production for October was a record for the month and at a rate less than 1% below that of September.

The preliminary estimate of United States and Canada production of cars and trucks for October is 400,000—astonishingly large compared with the 429,149 in September this year and 415,820 in October last.

THE daily average of building contracts awarded for the last few days of October showed a rise, and the rate is only slightly below last year at this time. The daily average for the first ten months of this year was $19,885,500, as compared with $23,535,600 in the same period of 1928, which is not bad, considering 1928 as an exceptionally large year. Contemplated work continues at a high rate. Heavy construction contracts, according to *Engineering News-Record* figures for the week ending November 7, were above $77,000,000 as compared with nearly $97,000,000 in the preceding week and $51,500,000 in the corresponding week last year. Heavy construction contract awards to date this year have run 15% above last year, but October awards were 18% under the weekly average for the first ten months and 4% under the weekly average of last year.

BITUMINOUS coal production continues to run at a righ rate—above the preceding week and a year ago. Although the shortage of water for power in western regions due to this summer's drouth is a factor, it is fair to say that

the high level of production in some measure reflects sustained industrial activity.

The rate of petroleum production was cut somewhat for the week but is still running above a year ago. Standard of California cancelled its price cut for crude, in face of prospective drastic restriction.

THE weakness in prices is more pronounced. Both wheat and cotton suffered declines toward the end of the week, partly because of continued weakness in the stock market and partly because of bearish crop reports. Wheat is not much above last year's level now and cotton is still below. Iron and steel prices showed no further weakening and copper remains steady. The general commodities index declined sharply under the influence of marked weakness in raw materials markets, especially cotton, wheat, rubber and silk.

THE general trade indicators continue fairly favorable. Marketing of agricultural products, except wheat, was at a higher level for the week than last year. The daily average carloadings of all classes were at a smaller rate than for the preceding week and below last year, but higher than in 1927. Declines in carloadings are normal at this time, beginning usually at the end of September or earlier in October and continuing rapidly to January. This year carloadings have held up somewhat longer than is usual, and the present level of loadings of miscellaneous and less-than-carload lot merchandise is about normal.

BANK debits outside New York City were much higher for the week and far above last year at this time. Commercial loans of Federal Reserve member banks showed a further increase for the week and stand well above a year ago.

Commercial failures showed a decline for the week and are below last year in number. The October business mortality record was quite favorable—higher than in September because of a longer month but fewer than a year ago by almost 10%. An increase is customary for the last quarter. Liabilities in October were the lowest for the year, over 10% below the total for October, 1928 and more than 8% below the September, 1929 total.

Money and the Market

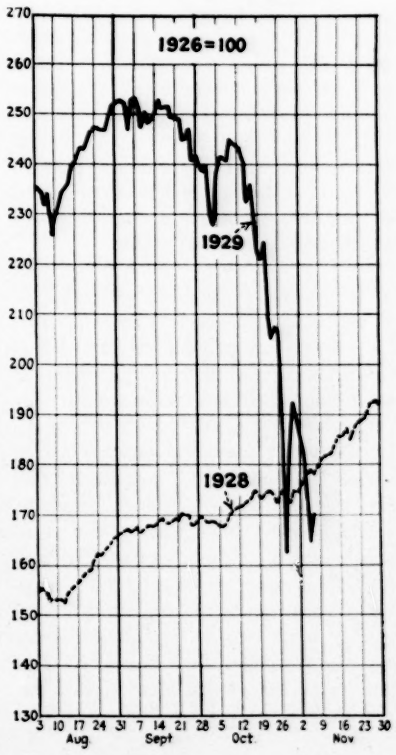
THE Stock Markets continued unsettled this week. Restricted trading time and wholesale housecleaning have somewhat cleared the atmosphere in Wall Street. There is now hope that there will be a return to something nearer normalcy during the next week.

An extremely heavy volume of trading, wide price fluctuations and a host of varied and conflicting reports and rumors marked the week. Time of trading was sharply curtailed. The Stock Exchange and other leading markets were closed on Tuesday and Saturday, and open but three hours, instead of the usual five, on Wednesday, Thursday and Friday. Traders and brokerage staffs were on hand as usual, however, and the debris was largely cleared away.

Trading, even in the restricted sessions, ran larger than on normal days, sales going up to 6,000,000 and 7,000,000 shares in three hours. Continued nervousness on the part of speculators and the rush to clean up margin accounts were primarily responsible. Heavy odd-lot buying was reported and small-time speculators were busy hunting bargains.

THE MARKET DAY BY DAY

(Standard Statistics Company's Daily Stock Price Index)



The week was one of post-mortems on the recent crash. Rumors of every description on the past, present and future of various financial houses circulated through the Street. They say that where there's smoke there's fire, but the proportion of truth in most of the tales set going was, in all likelihood, very small indeed. In essence, the excitement born of the stock crash has not yet died.

This is a period of transition and of settling down—one which may last little longer, or may continue for some time. Attempts to forecast short term developments in such a condition are worse than absurd. Apparently more and more stability is creeping into the market, however, and will have its eventual bracing effect unless some new event precipitates more unsettlement.

Retrenchments will have to be made by many companies and individuals affected by the decline. One result of the upset is seen in announcement of inability to complete the projected merger between the National City and Corn Exchange banks. Decline in the stocks of the two institutions has made the organization of the projected world's biggest bank impossible, at least for the present.

Money conditions remained stable and uneventful, with little change from last week. Signs pointed toward a little easier money but the first main downward movement of rates seems to be about ended, with no definite trend in sight. The Federal Reserve holds the key to the situation at present. It would not be surprising if conditions were held in statu quo until after the turn of the year.

Brokers' loans dropped $656,000,000 to total $4,882,000,000, the lowest since Oct. 24, 1928, when they stood at $4,772,000,000. New York City banks forced the decrease, withdrawing $549,000,000 after pouring funds into the market last week. The total of loans for others and for out-of-town banks decreased slightly. The banks also lowered their borrowings from the Federal Reserve and markedly reduced the total of credit outstanding.

The Federal Reserve did little in the week. Holdings of bills decreased by $9,000,000 for the first drop since the Reserve began to put money in the market by the bill gate in August. There was no appreciable change in discounts or holdings of government securities and the ratio was 69.8% against 69.4% last week.

What About Commodity Stocks?

THERE are two kinds of stocks for business to worry about at a time like this—the stocks that are sold on the securities market, and the stocks of goods that are not sold by manufacturers, wholesalers, jobbers and retail merchants. When stocks of the first kind are too low it is most important that stocks of the second kind are not too high. If widespread liquidation and loss in security markets come when commodity stocks are larger than normal they are usually followed by widespread liquidation and loss by those who are holding large stocks of goods.

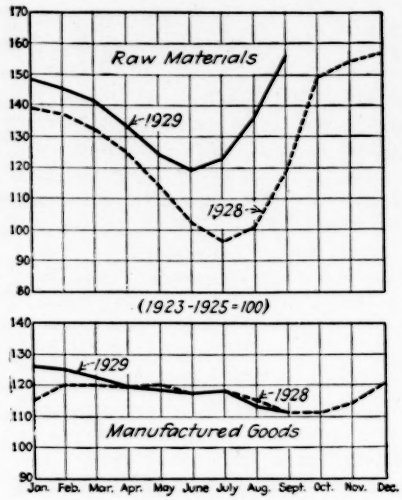
For this reason the reassurances about the business situation accompanying the decline in security prices have emphasized the belief that this decline came at a time when commodity stocks were not excessive. In judging the effects of the stock market upheaval upon business it is important to know just how correct this belief is.

The chart on this page shows the course of the indexes of commodity stocks compiled by the Department of Commerce for last year and this year through September, for the two general groups, raw materials and manufactured products. This is the most precise indication we have of the probable situation at present. It shows that stocks of raw materials included in the index have been running considerably higher this year than last, but that stocks of manufactured goods have run along at about the same level as last year.

THE raw materials index is higher than last year because it represents principally foodstuffs such as wheat, corn, oats and barley, the visible supply of which has been at record levels. It includes also the amount of raw sugar held by refiners, the visible supply of coffee in the United States, the amount of cotton ginned to date, silk in warehouses and manufacturing plants, stocks of iron ore, zinc, tin and crude petroleum —all of which have been at higher levels than last year. So far as these raw materials are concerned, therefore, it is fairly clear that commodity stocks are at present considerably larger than a year ago, and have been increasing in recent months, although this increase is in larger part a usual seasonal affair.

COMMODITY STOCKS

(U. S. Bureau of the Census)



This situation is reflected in the price level for most of these commodities, which is below last year. A considerable part of them is held on a speculative basis for higher prices, but there is apparently ample credit support behind those who are carrying them, so that any large measure of forced liquidation is unlikely. The volume of commercial loans and bankers' acceptances outstanding, which reflect the volume of credit used to carry commodities, is higher than last year, but money rates are somewhat easier than they were several months ago, and the Federal Reserve System as well as the Federal Farm Board are disposed to provide abundant and easy credit to help carry them.

THE situation regarding stocks of manufactured goods is more reassuring. This group includes stocks of meat, butter, cheese and milk in cold storage; wheat flour; finished cotton goods; imported rayon; pig iron; steel sheets; gray iron castings; enameled sanitary ware; lumber; flooring; hides and skins; finished sole and upper leather; automobile tires and tubes; newsprint paper; wood pulp; gasoline; kerosene; gas, fuel and lubricating oils; cotton-seed oil; ethyl alcohol; cement; brick; copper and zinc, together with one or two minor items like "fresh-water pearl buttons." The most important groups in the index are lumber, foodstuffs, chemicals and oils, and iron and steel.

On the basis of this and other information available on wholesale and retail conditions from the various Federal Reserve Districts, the general situation in the major lines of business as regards commodity stocks would seem to be about this:

Foodstuffs and manufactured foods generally—quite heavy.

Building materials, particularly cement, brick and lumber—fairly large.

Non-ferrous metals, copper, brass, zinc, tin and lead—quite considerable.

Crude oil—larger than last year, but probably not excessive in view of increasing consumption and successful restriction efforts.

Automobiles, parts and accessories—very heavy due to excessive production.

Tires and rubber—fairly large, although declining production during October has probably reduced tire and tube stocks somewhat.

Coal and coke—below last year, but probably tending to increase under a sustained high production rate.

Chemicals—quite conservative, except in drugs.

Electrical supplies, especially radio—above normal.

Paper—probably not excessive.

Iron and steel products, excepting possibly iron ore—at a normal level.

Cotton goods—on a conservative basis, although the outlook for raw cotton is somewhat uncertain.

Silk and silk goods—fairly large.

Woolen and worsted fabrics—probably not excessive in view of improved demand, but raw wool stocks are large.

Apparel, except women's—generally well controlled.

Leather and shoes—in a favorable position, with stocks on hand lower than at this time last year and demand continuing heavy.

The trend of commodity prices in the various groups fairly well accords with the position of commodity stocks, although it must be remembered that there has been a steady downward drift of the general price level since July, as described earlier in THE BUSINESS WEEK. This general trend is itself not a definite reflection of increasing commodity stocks so much as it is the result of the high rate of production in most lines of industry during the past year and the general effect of high money rates.

Balcom

Business Holds the Road

New shock absorbers, lower center of gravity, lessen jolts of Wall Street

HE IS head of one of the three or four largest industrial corporations in the world. Its stock is in the portfolio of every investment trust in Wall Street. It is a "blue chip" beloved of speculators, but also widely held by employees. At the moment, it was doing a nose dive in the market. But there was no sign of all that in the quiet, unhurried calm of the chairman's office.

Yes, he would be glad to discuss business conditions, future outlook, with THE BUSINESS WEEK. No, he could not be quoted—too many people were being quoted; whatever he said would be construed market-wise.

Would the panic affect his business? Would his corporation be curtailing expansion in 1930? Why, no! He was slightly amused at the question.

"We plan for five years ahead," he explained. "Temporary conditions have no bearing on our careful forecasts of how many customers will want how much of our goods and services in 1935. We shall expand heavily in 1930."

THE president of one of the greatest railways—its stock an investment of the highest order—but slumping that day like all the rest.

What did it all mean? Not very much, he thought.

"With car loadings what they continue to be," he said, "and with money as available as it has remained both during and after the 'Speculators' Jamboree,' we see no great reason for halting our program for improving our roadbed and equipment—in spite of the fact that some slowing up in consumption of at least luxury goods is probably to be expected."

SIMILARLY in the magnificently furnished office of the head of one of the country's biggest and best-known department stores:

"We've been looking up the effect on our business of the earlier stock-slumps in '14 and '07 and even as far back as '93," he explained. "To date we've been unable to notice in the business of these last few days any result comparable to any of those earlier occasions, though, of course, there has been some let-down. Naturally, some of the expensive fur coats have been returned. But, after all, our long experience has made us philosophical: if people can't buy limousines, that may only increase the number that buy flivvers, and if we sell both, we don't find the net difference in either receipts or profits as great as you'd think.

"In fact, our experience is that people tend to pick their shopping place, not according to the amount of money in their pockets, but, instead, according to the way they happen to *feel* about what they have: whether they *feel* poor or *feel* rich is more important from our point of view than whether they really *are* rich or poor. That being so, we find that when people feel a bit off they are more likely to trade carefully—and hence with us—than otherwise.

"So our sales never closely follow the curve of any commercial or industrial slump—and, least of all, of course, any such 'Speculators Recessional' as this last one. While, therefore, we're preparing ourselves for a shift in the kind of goods desired, we're not expecting any very great falling off in total volume."

THESE and other chats with leaders of similar standing and responsibility created the impression that business has contrived, during the last few years, some remarkable shock absorbers. To be sure, they are hardly equal to the job of completely ironing out all the rough spots of any and every nasty piece of financial or economic road. But it does seem they are good enough to save the passengers a lot of the jolts they used to endure.

The president of a mammoth insurance company mentioned one cushion:

"Certainly I can see much justification for a more hopeful feeling about falling stock values today as compared with earlier times. Naturally we, here, are prejudiced to the extent of believing that the ordinary citizen considers his insurance policy a sort of backlog—something that helps his position not only with his banker but with himself, helps his mental poise and stability. Well, in

1914 there was only 22 billions of life insurance. Farther back, in '07, it was only 14 billions. Last July the life insurance in effect was 100 billions. In savings accounts throughout the country, there has been a similar jump from 6½ billions in '14 to 29 today!

"Furthermore, our own experience is that comparatively little of this insurance was used as collateral for loans to buy stocks. That means stocks were bought for the most part with money left in the buyers' hands and pockets *after* they had paid in their regular premiums for taking proper care of that backlog."

OR listen to the treasurer of a manufacturing organization employing 60,000 workers:

"Of our employees whose period of service with us entitles them to it, a shade less than 90% are paying or have paid for their allotment of stock in the company—and I ought to add that its present value is still well over the figure at which it is offered them. In general, we find—rather to our surprise—that we are authorized by our employees to take out of their pay, to apply on these stock purchases, to send to insurance companies, for deposit in savings banks, or for other regular, organized savings, not less than 10% of our entire pay roll!

"Yes," he went on, "we were at one time interested in promoting the sale of our stock to the outside public, but only as long as its price was such as to permit practically no possibility of a buyer's later disappointment. When we believed that the general rise of stock values seriously lessened the certainty of any buyer's permanent satisfaction with our shares, we abandoned our effort. Today, of course, we are extremely glad we did.

"As a matter of fact," he continued, "I think a number of business heads deserve credit for the way they have at different times expressed publicly their inability to understand why investors insisted upon placing such high values on their companies' stocks. Doubtless, many other managers would have said much the same thing had they not feared that their statements would be largely discounted by a bullish public—if not, possibly, taken as efforts to depress these stocks for selfish purposes. In any case, slight attention was paid the statements that were made—probably because at such times we all tend to follow the beckonings of our hopes rather than the dictates of our heads."

PLAINLY enough, wage earners who regularly save 10% are considerably above that level of bare existence which has always been accepted by economists as the unalterable lot of the wage worker.

How important this wider margin is in the minds of all these leaders came out in the words of one of them:

"Even if our present plans for the marked increase of our productive capacity had for any reason to be changed, we would of course not make the mistake of the employers of fifteen or twenty years ago and proceed to lay off men, giving full time to the rest. On the contrary, we would try to help toward the general good by cutting hours and thus spreading what work there was, so far as possible, among the entire force, share and share alike. While, of course, this would not increase the net amount of money put in circulation, it would make a genuine difference in the feeling—the morale—of all concerned. In dollars and cents, half a job may be only 50% as good as a whole one, but, psychologically, it is as much better than no job as infinity is greater than zero!

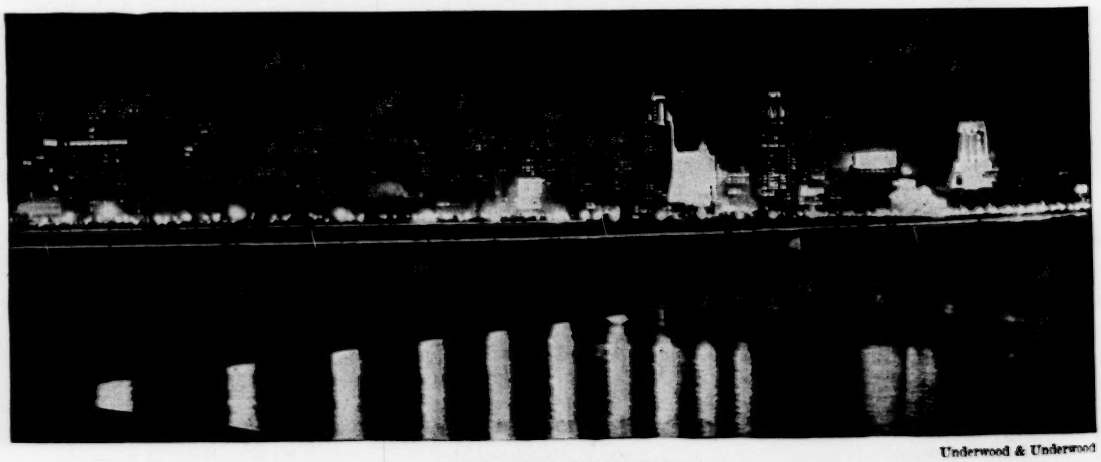
"It must be remembered, too," he went on, "that most of our workers hold some shares of stock in the company—quite apart from what they may have bought—or sold—outside. Income from this is at least somewhat more regular than general full-time wages."

All these testimonies seem to demonstrate not only a more telescopic, longer viewed planning, but also a certain social-economic insight which today constitutes a veritable gyroscope for lessening shocks.

AMERICA agrees universally nowadays that good times depend upon mass consumption—which depends upon wage envelopes. This doctrine was unknown in '07, in '14. It is natural that the heads of the corporations whose prosperity depends most on prosperous mass buyers should have the doctrine most firmly in mind. That explains why, in the offices of such men, all was calm and quiet while Wall Street rioted. That is why these men themselves confided that they had been too busy to sell any of their various holdings—with, therefore, neither time nor money for buying more!

To be sure, their testimonies did not mention the stabilizing or non-stabilizing influence of such matters as instalment buying or the narrow margin of profit on which so much business has come to be conducted. Nor did they fail to give due credit to the all-round improvement contributed by the Federal Reserve machinery. But they did give an ocular demonstration of that surprising "compartmentitis" which has permitted the recent shock on the Exchange to remain so separate from the price of either money or commodities—besides allowing so many small investors, apparently, to buy the securities surrendered at a loss by their neighbors the day before.

Altogether it looks as though the late financial unpleasantness had revealed, among other things, that our American efforts of the last few years to develop the buying and consuming power of the mass citizen have so lowered the center of our economic gravity as to give to the 1929 Model of "Hail Columbia" what the advertisements call "surprising riding and road-holding qualities."



Underwood & Underwood

CHICAGO BY NIGHT

bile Responsibilities Owner

he ever-increasing owner loyalty for Oldsmo-le may be traced directly to Oldsmobile's ir-minded attitude toward those who pur-ase Oldsmobile cars. For Oldsmobile does ot rest content merely with building a od car. Oldsmobile goes farther — and sumes this four-fold responsibility to every ldsmobile owner: to design progressively . . . build faithfully . . . to sell honestly . . . service sincerely.

To insure sound, progressive engineering, ldsmobile has brought together a staff of gineers whose joy lies in accomplishment d whose ambition is to contribute some new lvancement to Oldsmobile and, through ldsmobile, some progress to modern motor-g. Changes in Oldsmobile design are always ade for the sake of progress — never for the ke of change alone. Back of these men are e complete facilities of their own fine engi-ering laboratories and the vast resources of e General Motors Research Laboratories and eneral Motors Proving Ground.

Oldsmobile principles of manufacture are xpressed by the pledge that every Oldsmobile orker follows, from the highest executive to e newest shop employee . . . "Anything short my best is not acceptable." Faithfulness of anufacture results from allegiance to this eal . . . faithfulness that means not only fine uality of materials and exacting limits of accuracy, but careful, precise workmanship and rigid inspection.

Oldsmobile firmly believes that absolute honesty in selling and in advertising is the only sure road to long-continued public favor. The public is thoroughly capable of judging both the quality and the value of a motor car. And the public has conferred upon Oldsmobile the highest reward of merit — constantly increasing buyer preference. Oldsmobile will not risk this priceless good-will by deviating, though it be ever so slightly, from the facts.

Oldsmobile has instituted a service policy that recognizes the equities, not only of Oldsmobile owners, but of Oldsmobile dealers as well. Oldsmobile backs up its dealers by accepting responsibilities which are commonly left to the dealer, because Oldsmobile's interest in every sale goes far beyond the time of purchase. This policy is made possible by Oldsmobile's quality, dependability, and fine performance. And it contributes largely to the loyalty and enthusiasm of the mounting thousands of Oldsmobile owners.

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THE EGRY REGISTER COMPANY
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AUTOGRAPHIC REGISTER

Yes, Wall Street Really Is All In

A DISILLUSIONED, consequently a cynical, public has not treated with an altogether due respect the harrowing tales about the fatigue of the Wall Street army. It has been just a little bit disposed to accept with more than one grain of salt the explanation that the Stock Exchange is closing because of complete exhaustion of man power.

Unfortunately the stories are all too true.

Wall Street, top, rank, and file, was, and is all in. For thirty-odd days it has scarcely slept. If it escapes a pneumonia crop it will count itself fortunate.

In order to understand why this should be, why such cruel spurts should be occasionally unavoidable, one has only to examine the stockbroker's job.

First, his is essentially a confidential relation with his clientele. He cannot turn everybody indiscriminately among his books. His ledgers hold the secrets, the fortunes of people, and these people are usually his friends, or people brought to him by friends. His mightier clients are great banking institutions or even corporations, public disclosure of whose market tactics would be disastrous. The Exchange itself imposes rigid examination into the background and character of the least customers' man. The professional secret must be kept inviolate, as that of the physician or the lawyer. Consequently only certain employees will pass muster. The others, herded in for an emergency, can only address envelopes or add up columns of figures.

Second, the system of daily settlements which prevails on the New York Stock Exchange makes it imperative that the broker's work should be complete before anybody may go home. The broker's organization is based on the normal. Economy alone would prevent the maintenance of a relief staff. At present the 3,000,000 share day is accepted as normal. The Stock Exchange is equipped to handle it and so are the member brokers. The bookkeeping, telephoning, telegraphing, letter-writing, delivering, receiving which have to be done ordinarily are handled between nine and six.

Third, the broker must absolutely maintain one thing along with the honor of his professional secret. He must at all costs maintain his solvency. Practically every customer owes him money, lately from one-third to one-half of the value of the securities which have been purchased for him. The broker, in turn, owes this identical sum to a bank, where he has left his customer's securities on deposit as collateral.

The market, as everybody knows, never stops moving. Neither, as few people seem to realize, do the margins. In a normal market maintaining equipoise is a simple matter. In a rising market it is almost an automatic one. But in a falling market it is a ticklish business. And in a panic it is a desperate one.

Fourth, last, the broker must keep his customers. They are his real capital. Often he has inherited them. More often he has spent his whole life securing their trade and gaining their confidence. He must, above all, prevent them from slipping into predicaments where he will be made to appear as treating them in an inhuman manner.

Some of the spectacles of human, nervous, moral, physical endurance exhibited during the past few weeks in Wall Street brokerage establishments are of almost incredible poignancy. Men have snored in barbers' chairs, gasping for ten minutes' sleep after thirty-six hours without a wink. Girls have fainted into their soup at midnight meals after a day without food. Customers' men have cautioned, pleaded, warned, threatened recalcitrant gamblers until their nerves cracked under the strain. Stock Exchange members have left the floor groggy, as if not yet out from under ether.

And what is the upshot of it all, from the broker's point of view? The uninitiated would guess that he has made a lot of commissions. True, he has. But it has not been a good time for him, nevertheless. In many cases has the broker lost back in uncovered margins, in mixed-up deals, more than the surplus which he had earned in fees. For a 3,000,000 share machine cannot properly handle 16,500,000 shares. The fiction of a perfect, automatic machine is destroyed forever by the picture of 600 brokers on the floor one whole Sunday—merely adjusting disputed trades.

Clients are lost by droves. Good-will is gone, false blames arise, ill-will is sown broadcast. Even friendships perish. The constructive work of many years goes in as many hours.

The wages of gambling is panic.

reduced *with* pressed steel

By using pressed steel instead of other materials a manufacturer of ironing machines "reduced production costs" and turned out "a superior type of machine." An oil burner manufacturer reduced production costs 30 per cent. Manufacturers of washing machines, gasoline pumps, stoves and many other products have made equally startling cost reductions.

A new book, "Adventures in Redesign," contains eighteen actual examples showing how YPS engineers have helped *cut costs* for manufacturers in as many industries—how these experienced engineers have redesigned the present products or assisted in the development of new products.

You can easily take advantage of this Cost Cutting service—without the expenditure of a single dollar—without the slightest obligation.

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More Profits in New York

Here are a few definite practical suggestions for increasing profits in the metropolitan territory.

Cut your costs—

an obvious way to increase profits. Especially worth while in so big a market. But what costs can be cut? Receiving, storing and handling goods in New York will probably cost you much less if you have Bush Distribution Service do it for you.

Increase sales efficiency—

let your salesmen concentrate on the job they know. Free them from the distraction of stock and delivery problems. Let Bush Distribution Service have that task, which is one they know.

Increase prestige and good-will for your product—

Spot stock at Bush will do away with dealers' complaints about slow deliveries—will actually make them contented and enthusiastic over the sure, steady flow of goods as wanted.

Guard against substitution—

with Bush Service bringing your product to them promptly and surely, dealers will not substitute to your disadvantage. Perhaps your goods will be substituted for competing products when yours are always in stock.

How to get

A booklet telling how other manufacturers have been helped by Bush Distribution Service—just ask on your business letterhead. If you describe your product and your method of sales, this booklet will be supplemented by a Bush Service letter telling specifically what Bush can do for you.

Bush Distribution Service

Bush Terminal Company

100 Broad Street, New York, N. Y.

Please mention this issue of Business Week

Color Brightens Plumber's Job

BIGGER, better, and brighter bathrooms are the vogue. Quartz glass to shed violet rays on bathers is the latest thing.

Hundreds of the country's 35,000 plumbing contractors are emerging from hiding places in back alley sheds and garages to take their places as retail merchants along Main Street. Passersby stop to view their show windows. W. H. Grant of Evanston, Illinois, moved this year from a $25 alley garage to a $65 retail location. He did $350 more business the first month.

Canny plumbers prefer modernizing jobs at a good profit to construction projects with profits lowered by competitive bidding. Henry Strenger of Lake Forest, president of the Illinois Master Plumbers Association, has not bid on a piece of new construction for over a year.

Color is the big sales maker. More than twenty years ago one large company tried to sell colored plumbing fixtures, and failed to make them go. But times have changed. The same company is offering color now with great success.

Sales of white fixtures still run 15 to 20% above colored sales, say two large concerns. Hospitals, hotels, and public buildings use white almost entirely; but in residential installations color equals, perhaps exceeds, white.

These manufacturers agree that light green is the most popular color, with ivory third choice. They disagree as to which color comes second: one says light blue, the other orchid.

Modern catalogues are crowded with color charts. Here is a typical "bathroom ensemble" from one of them:

FIXTURES:	Black
FLOOR:	Dark green
FLOOR COVERING:	Tan and light green
WALLS:	Silver gray
CEILING:	Subdued yellow
DRAPERIES:	Plain red
FURNITURE:	Red and black

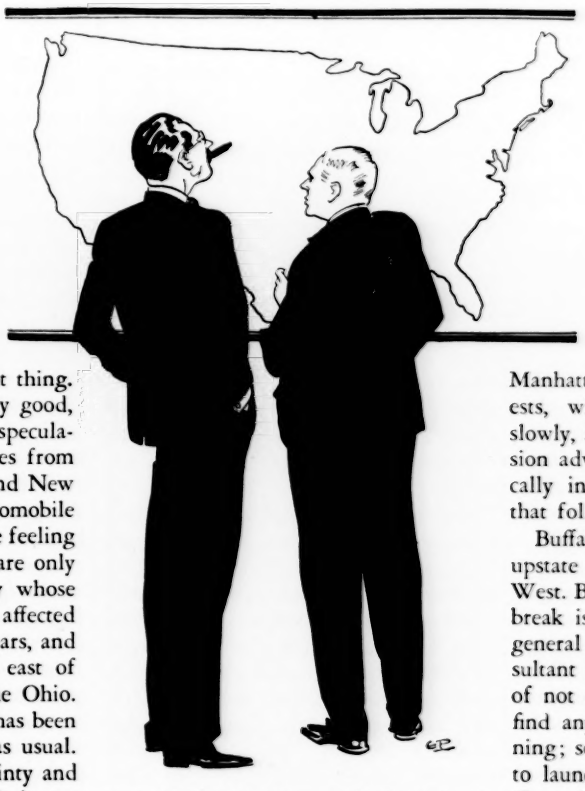
A leading American company has just put seven such colorful bathrooms into a French chateau built in the fourteenth century.

James S. Taylor of the Bureau of Standards, U. S. Department of Commerce, says, "The bathroom is one of the most conspicuous features of many new small houses." Mr. Taylor cites a $6,000 house in a typical builder's row with a bathroom that "would do credit to an actress."

How Will Business Be Now?

THE BUSINESS WEEK rounds up opinion of readers in all sections

A QUICK canvass of the leading business centers shows it is too early to see the actual effects of the stock market collapse. But THE BUSINESS WEEK's soundings of business sentiment among leaders is reassuring and confirms prevailing general impressions regarding the extent to which the speculative smash may be tied up with business. And business sentiment just now is the significant thing.



Its general tone is surprisingly good, especially outside the leading speculative centers. The farther one goes from the line running from Boston and New York through Cleveland, the automobile districts and Chicago, the less the feeling and fear of disturbance. There are only about ten cities in the country whose money turnover has been greatly affected by speculation in the past few years, and these are mostly in the region east of the Mississippi and north of the Ohio. In the rest of the country trade has been and still is going along about as usual.

There is considerable uncertainty and caution. The feeling is that trade in automobiles, radio, and expensive apparel will be curtailed, but with considerable shifting to lower-priced goods maintaining a fair volume of holiday retail trade.

The effect upon automobile buying is obscured by the general decline that has been going on for several months anyway.

The basic industries anticipate no marked effect upon the rate of operation, which has been determined by normal seasonal conditions or the natural let-down from the high pace earlier in the year.

There is little sign of any general tendency to cancel or hold up construction projects.

In the North-Central, Southern and Southeastern regions business prospects are based principally upon generally favorable agricultural conditions.

In the Northwest and on the Pacific coast, special local conditions are dominant in the business outlook and the stock market upheaval seems to have no great importance in the picture.

If the crash on Wall Street has shaken the world, what has it done to New York where Wall Street is, where the Street's golden glitter and its shadowy "psychological influence" strike heaviest?

Investigation by staff members of THE BUSINESS WEEK shows metropolitan business affected, certainly, but to nothing like the extent that had been anticipated. Hardest hit have been the amusement industries—the night clubs, the theatres and, of course, the speakeasies. Next to feel the blow have been the purveyors of luxury goods along Fifth Avenue. Jewelers report no noticeable reduction in business, though they look for it; they admit an increase in the return of jewelry purchased on account. A furrier took in $1,300 last Saturday to compare with $15,000 entered on his books for the corresponding Saturday a year ago. But one of the old-line department stores has kept sales at normal. A popular medium- and low-priced department store saw a rise before the market broke, a sharp decline afterward, is still ahead of 1928 on volume. Other stores reported some losses of old customers, some gains from higher-price competitors. Automobiles were off everywhere.

Manhattan's great manufacturing interests, with whom events move more slowly, saw behind the threat of depression advantages suggested more specifically in the reports from other cities that follow.

Buffalo furnishes a key to feeling in upstate New York on the road to the West. Business men there say the market break is fairly well detached from the general business situation, that any resultant slackening should be slight and of not over six months' duration. Few find any cause to revise advance planning; some accept the break as a signal to launch expansion programs. Edward Germain, president, Dunlop Tire & Rubber Co. welcomes it as meaning that money will be released for construction and similar sound business uses. While there may be 500,000 fewer automobiles next year, he says, the effect of this recession on business will be balanced by increases in construction work and other progressive activities. Business going back to work, with more money available for constructive development, forgetting its paper losses, indulging in fewer mergers of a purely stock-selling nature, declining to reduce its advertising appropriation—that is the picture which emerges from a round of interviews with key men of Buffalo.

Business men of Pennsylvania, New Jersey and the Middle Atlantic section in general agree with the terse statement of one of the leading industrialists of that area that "there is nothing the matter with regular business." One company

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Here is the most important development in the seating industry... a deluxe Do/More model for executives... combining the famous Do/More anatomical qualities with the *last word in elegant appearance.* It is a distinctive chair for distinguished people.

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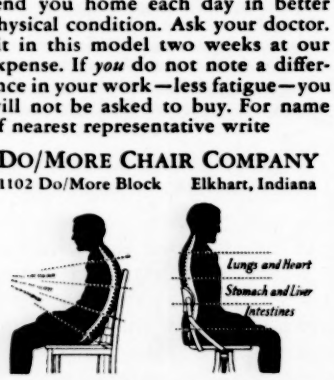

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head had received cancellations of orders but traced them to rumors that prices on his commodity would drop as a result of the stock drop. Renewals are expected.

From Atlanta, Ga., an outstanding industrialist wires this estimate of conditions in the Southeast:

"A cross-section of opinion seems to be that the market crash will slow down business temporarily. Sufficient time has not yet elapsed for plans to be revised. Conditions are not yet sufficiently stabilized to warrant a firm opinion as to the course of business over any extended period. Agricultural conditions in the major portion of the Southeast are better this fall than for some years past. Building in Atlanta is in greater volume than for many months. These facts alone should somewhat offset possible depression due to market break."

Cleveland's story is told in the experience of its important group of specialized factory engineers and builders who report no cancelled contracts but some uncertainty about the future. Arthur G. McKee & Co. finds a returning interest in construction among concerns that had been keeping money in the call market. Sheet steel production has slackened in line with the automobile industry and prices are weak in Cleveland and Youngstown. Merchants are beginning to feel the effects of the crash but expect a recovery with Christmas.

Investigators in Detroit for THE BUSINESS WEEK find industrial employment 18% off the year's peak and a further decline in prospect with automobile factory layoffs continuing. The Detroit Automobile Dealers' Association reports cancellations of orders for single cars, expects others in the medium and higher-priced classes. Albert Kahn, architect, sees no suspension of commercial building but looks for a decline in speculative building. The Union Trust Co. says the market break was followed by heavy withdrawals from small savings accounts used to purchase stocks, does not expect withdrawals to continue, thinks it too early to gauge effect on Detroit business.

The prevailing note in the Chicago area is one of caution, rather than alarm. Industrial and business leaders believe that the sensible thing to do is to wait and watch—and work. They are postponing new commitments, as a rule; in a few lines, they are intensifying sales efforts. Chicago department store sales have dropped—but the weather has been bad; the crash came at the end of the month when people normally hold off to get purchases on the new month's bills. Luxuries and higher priced necessities have been most affected. The head of a Michigan Avenue furniture store, whose customers have been putting their money into the market instead of into his wares, expects better business after February. The manager of a chain radio shop has lost live prospects because they lost in Wall Street, but sees little effect on instalment selling, backbone of his business. Chicago is counting heavily on holiday buying.

Business men in St. Paul and vicinity have felt the sobering influence of the stock market crash and the collapse of the W. B. Foshay Company of Minneapolis, but are still hopeful of escaping a seriously unfavorable reaction. They admit that luxury sales will shrink but contend that agriculture, foundation of the territory's prosperity, will be little affected. Bankers and building-and-loan associations are preparing to welcome back to the fold men and women who have been away playing the market.

St. Louis expects to limit the effect of the market crash to those actually caught in the drop, reports department stores ending October with a 17% gain over last year's level for the same period; manufacturing showing no signs of a slump. Building is off, but real estate men expect the market débâcle to reroute funds in their direction. Business men in neighboring Kansas City deny uneasiness over effects of Wall Street's shake-down. Brokerage houses there report more buying than selling during the collapse. Lower interest rates and easier money benefitting business and agriculture are predicted by Wichita investigators for THE BUSINESS WEEK on the basis of statements by C. Q. Chandler, chairman, First National Bank, John Field, president Federal Land Bank, W. C. Coleman, president, Coleman Lamp Co., Frank Jacobshagen, secretary, Farmers' and Bankers' Life Insurance Co., Robert B. Campbell, electric railway operator, Charles Knorr, dry goods wholesaler, Walter Carr, furniture wholesaler.

For the Southwest, representatives of THE BUSINESS WEEK at Houston, Tex., report "depression slight," "few directly affected," "basic industries sound," "final reaction certain to be favorable to investment and trade." These are conclusions from statements by W. L. Clayton, Anderson-Clayton Cotton Co., W. S. Farish, president, Humble Oil & Refining Co., E. A. Peden, president, Peden Iron & Steel Co., Judge M. H. Gosset, president, Federal Land Bank, Jesse H. Jones, financier and builder. A survey summary lists as favorable factors: large bank debits, sound financial conditions, few commercial failures, many new charters, heavy car loadings, well-employed

labor, no commodity price inflation, ample funds for autumn expansion. Unfavorable factors are: declining bank debits, lower cotton and live stock prices, smaller farm crops, decline in building and construction, lower purchasing power, lower wages per worker, decreasing exports, considerable speculation, little autumn industrial expansion.

On the Pacific Coast and in the Northwest business men say that whatever depression comes will be temporary; cite underlying strength of natural resources, of major industries engaged in staple production. During the week immediately following the break 20 major building contracts were awarded, aggregating $6,361,000, compared with a weekly average of $3,891,000 for the year. Industrial firms are active, employment conditions generally good; retail trade fair to good; agricultural districts prosperous; oil prospects brighter; exports and imports at record levels. Dark spots are: automobile sales slow with dealers resorting to extreme methods to dispose of 1929 models; car loadings off, due to shrinkage of California fruit yield and hold-back on Oregon wheat; bank deposit withdrawals heavy as customers bolster margin accounts and reach for "bargain" stocks.

▼

Biggest War Baby Losing Weight

WHAT was declared to be the largest trust company in the world in 1918 is gradually settling its accounts. The Alien Property Custodian had on his books in 1918 a balance of $750,000,000 representing property taken over from alien enemies and held in trust until after the War. Within a few weeks it is expected that awards from $34,000,000 to $60,000,000 will be made by the Mixed Claims Commissions to the North German Lloyd and Hamburg-American Steamship lines.

Changed boundaries in Europe have given nearly every European country an interest in enemy alien claims. From January 1, 1929 to September 30, $80,899,000 has been paid out of the Alien Property Custodian's funds. A total of 43,417 claims have been presented; of these, 40,000 have been validated. To October 5, 1929 a total of 25,344 claims have been allowed by the Alien Property Custodian, 3,358 disallowed, 2,851 are still pending and 2,757 have been cancelled or withdrawn. The Department of Justice has allowed 6,964 claims and disallowed 1,481.

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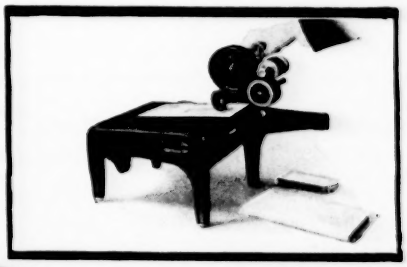

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We will furnish and put these additional parts on your Machine—

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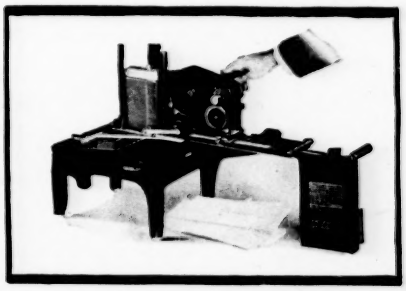

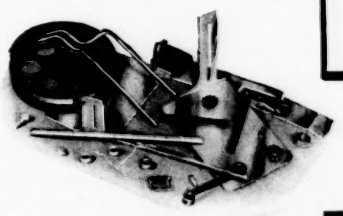

Then whenever you want still greater speed and operating convenience, we will add these extra parts

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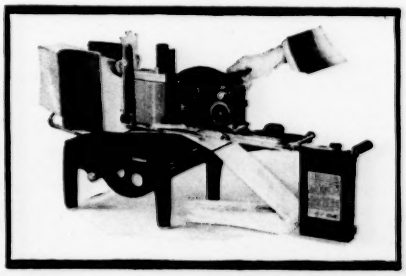

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Swift Survey of Business Abroad

By Special Cable to The Business Week

EUROPE—Stock exchange slumps in Stockholm, Amsterdam, Paris, Vienna, Budapest and, to a lesser degree, in London and Berlin reflect the New York convulsion. While the Wall Street shakeout has had domestic repercussions, business equilibrium is maintained and leaders are hopeful of cheaper money with renewed American participation. Although there is growing chauvinism toward American control of European industry, no striking developments are yet evident, largely because attention is now concentrated on the political complications clouding the business horizon.

By Special Cable to The Business Week

Great Britain—The Dominion-status-for-India statement rouses general opposition. Labor government splits over social insurance and increased doles. Position of the government is precarious. Decision to renew diplomatic relations with the Soviet received unfavorably in financial circles because program lacks provision for settlement on Russia's repudiated debts to British citizens.

By Special Cable to The Business Week

France—Complete political stability without new elections is proving difficult, but there is wide confidence in Tardieu's ability. Expected keynotes in the new government's policy are reduction of taxation, to lower the present exaggerated surplus of $250,000,000 without an increase in the government wage scale; Rhineland evacuation contingent on Germany's acceptance of the Young Plan and disposition of the Saar Basin; furtherance of negotiations for German repurchase conditional on the frontier tariff agreement. Position of the Bank of France continues strong.

By Special Cable to The Business Week

Germany—Necessity for a Young Plan plebescite, although rejection is improbable, causes postponement of tax reductions and recrudescence of bitter factionalism in the absence of the conciliatory influence of the late Dr. Stresemann. Despite a favorable trade balance, government officials see home industry suffering from reduced demand, which accounts for smaller imports.

By Special Cable to The Business Week

Poland—Pilsudski military dictatorship clashes with parliamentary self-respect.

By Special Cable to The Business Week

Austria—Still volcanic beneath momentarily adequate police control.

By Special Cable to The Business Week

Czechoslovakia—Elections have stabilized position of the government. Inauguration of the gold standard is merely a conventional expression of existing stability; is occasioned by the desire to participate in the International Bank.

FAR EAST

Explosions of opinion at Kyoto meeting of Institute of Pacific Relations clear atmosphere over Japan-China-Manchuria controversy. Indian demands on Simon commission focus interest of international traders.

U. S. Dept. of Commerce

Japan—Pronounced industrial and business depression persists. Smaller rice crop forecast. Department of Commerce and Industry sponsoring bill authorizing government to recompense exporters for credit losses up to 70% on shipments to undeveloped foreign markets. Large shipbuilding program continues.

U. S. Dept. of Commerce

China—Rout of the Nationalists and determined opposition from Yen and Feng forecast continued and increasing military activity. Rail transport south of Peking is spasmodic. No single leader is strong enough to effect arbitration. Martial law is declared in Peking to cope with agitators. Commission for rehabilitation of China's foreign and domestic loans officially set up on November 1. Semi-official National Products Bank of China organized with authorized capital of $20,000,000 Mex, for promotion of small industries, government holding two-fifths of capital, public three-fifths of capital.

SOUTH AMERICA

U. S. Dept. of Commerce

Argentina—Generally improved crop conditions offset by impoverished conditions among farmers particularly in the south and west, where drought has ruined two consecutive crops and destroyed buying power. Government policy blamed for growing credit restriction, slow commercial movement, retirement of capital and curtailment of industrial activities.

U. S. Dept. of Commerce

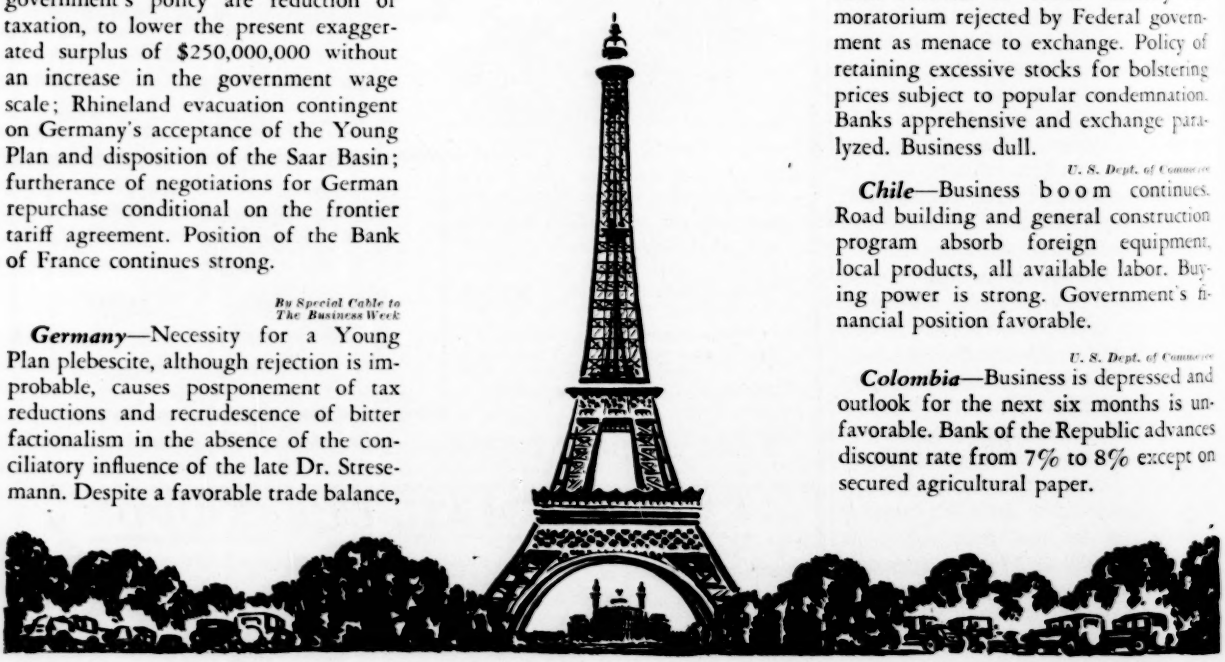
Brazil—Business situation desperate with no apparent hope for a foreign loan. Petition of coffee industry for moratorium rejected by Federal government as menace to exchange. Policy of retaining excessive stocks for bolstering prices subject to popular condemnation. Banks apprehensive and exchange paralyzed. Business dull.

U. S. Dept. of Commerce

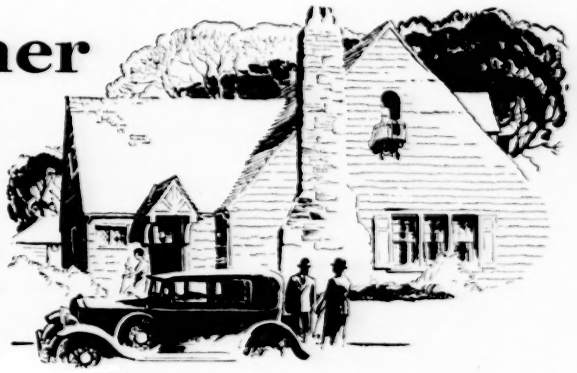
Chile—Business boom continues. Road building and general construction program absorb foreign equipment, local products, all available labor. Buying power is strong. Government's financial position favorable.

U. S. Dept. of Commerce

Colombia—Business is depressed and outlook for the next six months is unfavorable. Bank of the Republic advances discount rate from 7% to 8% except on secured agricultural paper.



The Home-Owner Gets Pinched



Mortgage Money Almost Disappears as Building and Loan Societies and Savings Banks Lose Deposits to Wall Street

"DURING the past twenty-three days," said an official of a building and loan association, "we have paid out more money than we have taken in on every day but three. We have not been able to make a loan in five months."

His experience is typical. Business is bad, for building and loan associations; it has been for more than a year. They have practically no money to lend on mortgages. Neither have the banks, which customarily lend to the building and loan associations. Throughout the United States, and particularly in New York and the East, mortgage money is extremely difficult to get. When obtainable at all, it is only by the oldest, most reliable customers, and even then only at fanciful rates.

The man who contemplates mortgaging his home to procure hurriedly needed money (there are many more of him since the collapse of the stock market) finds himself rebuffed at every turn. And the man whose property is already mortgaged faces the unpleasant likelihood of foreclosure.

Most serious of all effects, much of the fine work that has gone on in America for years, encouraging the wage-earner to own his home, has been nullified. A movement that is universally conceded to be one of the fundamentals of national security and prosperity has received a serious setback.

IN New Jersey and some other states, demands for withdrawals by members of the associations have been so large that priority lists have been established. Payments are then made in order of request, but even then delays of days and even weeks have been necessary. The only method by which the associations can obtain money is by current income, borrowings from banks, and sales of mortgages. None of these methods, at present, is very productive. Current income is smaller than it has been in years, the lending power of the banks, especially of savings institutions, has been lessened by present financial and business conditions, and the market for mortgages has dwindled almost to the vanishing point. Consequently there is, almost everywhere in the United States, an actual shortage of money for mortgage loans and small building operations.

This, however, does not mean that the soundness of the building and loan associations has been impaired. The case is simply that these groups have been most affected by the money stringency. The certificates and deposits in the associations are safe and sound, and are adequately protected by security in the form of real estate and improvements. However, the security is not liquid, and as depositors have demanded their funds, and as the banks have called loans and been unable to provide more money, the plight of the associations has become increasingly acute.

THE same factor has affected both the banks and the building and loan associations, bulwarks of the mortgage money market. And that factor is simply the old catch-all of financial blame, the stock market.

The present situation may be mended if the market stays down, but considerable time will be required. The effect of the market has been demonstrated in three distinct phases. First, the rapidily rising prices of securities tempted depositors to withdraw funds in huge amounts from the building and loan associations, and from savings banks, for purposes of speculation. Those who did not buy stocks nevertheless withdrew their money and put it on call at high short term rates. The same process affected the banks, especially the savings institutions, from which $1,000,000,000 in deposits was withdrawn last year.

THE second phase of the stock market influence began in September, as the stock market showed symptoms of the break that culminated in the recent crash and panic. Margins were wiped out, and frantic men again drew upon their savings and their building and loan association deposits, to protect their speculations from being a total loss.

The third phase continues still in progress, as the thousands who have been ruined in the market dig deeper into their reserve funds to make their instalment payments and provide for living expenses.

In the effort to continue in business and to compete with the unparalleled demands from other quarters for money, the building and loan associations have been compelled to increase the rates of interest paid to depositors and holders of certificates. The higher rates have been passed along to borrowers on mortgages, but the plan has so far failed to meet the competition.

THE immediate effect of the situation has thus been to make mortgage loans difficult to negotiate, to retard residential building, and the purchase of homes, and to stimulate the movement toward apartment living. Apartment houses still soar skyward. In such large projects the building and loan associations play a minor part; the financing is done through other channels.

In the Middle West and other areas the situation is, as we have seen, a little better, but even there withdrawals have been unusually large. Investigations have shown conclusively that much of the

withdrawn money has gone directly into the stock market. As a general rule, however, deposits in these sections are increasing, though very slowly.

In the St. Louis district heavy withdrawals have been occurring for several months, but have been decreasing since the stock market decline assumed serious proportions.

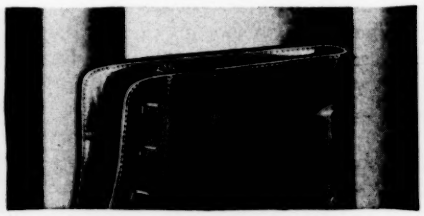
Large withdrawals are reported throughout Ohio. They have been in progress for some four years, considerably longer than in most other parts of the United States. If the depositors have made money in the market with their withdrawn funds, they have not reinvested them in the associations.

In recent months, throughout the Northwest, withdrawals have run from 20% to 75%, higher than at any time in the past. The rapid growth of group banking in this area, however, is blamed as much as, if not more than, the stock market.

The banks have suffered from this condition only as they were themselves affected, but the building and loan associations have suffered through withdrawals from their own funds, and also through withdrawals from the banks. The associations lend their own funds, as do the banks. But the associations go farther and borrow from the banks in order to make additional loans on mortgages, over the amount which their deposits and capital permit. The associations, therefore, are being squeezed from two sides—the depositor and certificate holder withdraws his funds, and the banks demand repayment of loans.

The outlook for the future is the outlook for the money market generally. For some time short term securities and stocks have been so attractive that long time needs have all but been ignored. As noted in THE BUSINESS WEEK, a tendency in the other direction is faintly discernible, but there is no telling whether it will last. The only way out of the maze of trouble appears to be the slow, eventual return to long term uses for money.

The FLORSHEIM SHOE With FEETURE ARCH



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THE FLORSHEIM SHOE COMPANY - *Manufacturers* - CHICAGO

Oil Feeds Blaze In the Chaco

IT IS not so much patriotism as oil that prolongs the boundary dispute between Bolivia and Paraguay, both of which lay claim to the Chaco region lying between the two countries—100,000 square miles of malarious swamp, infested with poisonous reptiles and insects and quite useless for settlement. The conciliation committee headed by Major General Frank R. McCoy has succeeded in inducing the nations to resume diplomatic relations, but scarcely any observer believes that it will succeed in fixing a boundary line satisfactory to both disputants.

For a century or more the dispute was just another of those South American quarrels. It dragged along, useful only for political purposes. Then five years ago a French engineer wrote to a Buenos Aires newspaper that he had discovered the world's greatest petroleum field in the bad lands of the Chaco. Immediately the controversy became acrimonious, machine guns began to sputter, and the patriots of Bolivia and Paraguay began vowing that they yearned to shed their blood for justice. Meanwhile the Standard Oil Company, according to report, slipped quietly into the Chaco, bored five wells with gratifying results, and then capped them to await exploitation when the title to the Chaco had been determined.

It is unlikely that petroleum has even been mentioned during the dignified discussions and diplomatic parleys, but any settlement which ignores it is out of the question. For that reason the McCoy committee is not expected to accomplish much. It is attempting to establish a frontier based on colonial records at Madrid, Lima and Buenos Aires. It may be expected that within a few weeks the negotiations will end, and that if any settlement is made in the future it will at least provide for an equable division of the oil fields, or of the royalties and profits. It may even come to war, but such a conflict would not amount to much, for neither Bolivia nor Paraguay could possibly move an army through the Chaco. Unless they did so, they could not get at each other without traversing Brazilian or Argentine territory. It is unlikely that Brazil and Argentina would permit their lands to be used as a battleground, or even as a short cut.

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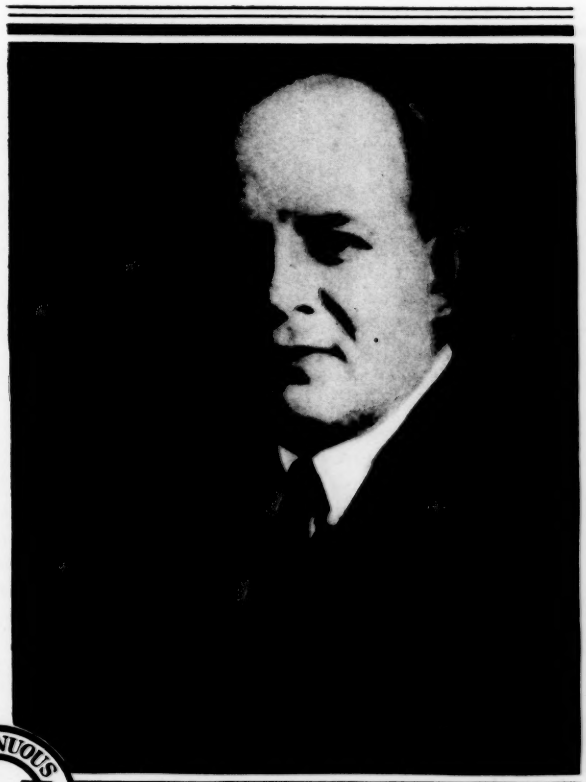

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Division United Autographic Register Co. - Send name and address for FREE booklet "Men of Mani-Fold Experience"

Selling the Second $100,000,000,000 of Life Insurance

WITH $100,000,000,000 worth of life insurance in force in the United States and 65,000,000 persons covered, the insurance companies, preparing to sell the second $100,000,000,000 within a ten-year time limit, have set themselves as great a selling problem as ever confronted an American business. Even the most conservative insurance executives believe they will solve it. But in any discussion two questions arise:

How will they do it?

What will the insurance agent become?

Briefly, the answers appear to be:

If accomplished, it is likely to be by an invasion of the foreign field, and by a complete revision of sales methods, with particular attention to the selling of "insurance for income."

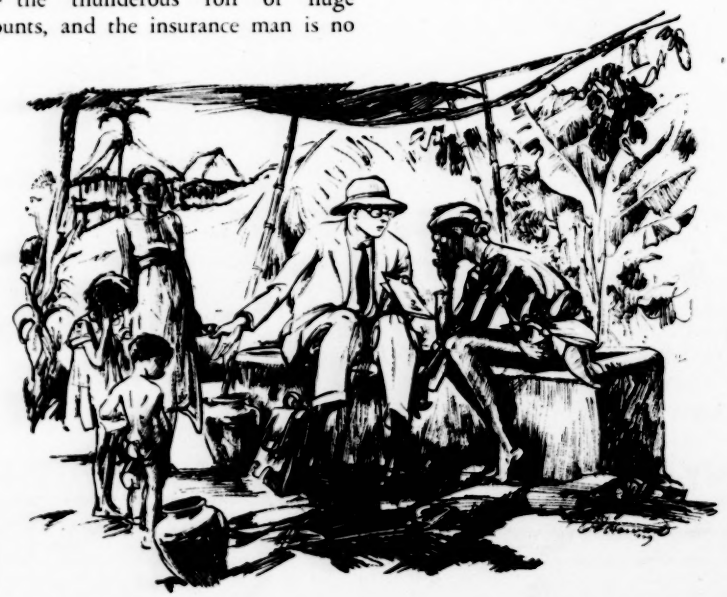
The agent may in time, to a large extent, be supplanted by the broker, who will consolidate insurance services and thus become the representative of the assured rather than of the companies.

AMERICANS of every degree admire the thunderous roll of huge amounts, and the insurance man is no exception. Impressed by the volume already in effect, many envision life insurance as already forming an economic barrier against all but the most tremendous of disasters. But such a rosy interpretation of the figures is scarcely justified.

It is a fact that, statistically, life insurance is scant protection against pauperism.

After all, one hundred billions of insurance on the lives of sixty-five millions of persons is a bare 1,540 on each. Such a sum causes no reverberations. Nor does it form an imposing bulwark against old age and poverty. A widow, even without a family, could hardly subsist a year on it, especially after she had paid the funeral expenses of her husband. It is burial insurance rather than life insurance.

Moreover, it is undoubtedly true that a large part of the insurance now in force will lapse; in some states, according to past experience, the percentage will be as high as thirty. And some of the lapsed policies will, as in the past, represent large sums. For instance, a leading utility man who died recently left but $10,000 insurance. The policies which he had permitted to lapse amounted to millions.



FORWARD-LOOKING officials of the greatest insurance companies regard the figures not as representing a tremendous job accomplished, but as indicative of the enormous market that yet remains to them.

"The true field of insurance has hardly been touched," said one. "We are just at the beginning."

Such men have already begun that sales revision which must be a prelude to the great campaign in prospect. The advocacy of lump sum insurance is to give way to the advocacy of insurance for income. The old sales talk suggested insurance of $5,000, $10,000, $25,000, depending on the finances of the buyer; the new method will not include such tactics. The seller will say, in effect:

"You are giving your dependents virtually no protection. Ten thousand dollars life insurance will give your widow an income of $500 a year. Twenty thousand will give her only $1,000 a year. She cannot live on this amount, to say nothing of caring for your children. Insure for income. The total is important only as it will give your beneficiaries a real living amount of money. Insurance must be figured that way."

Research by the insurance companies is revealing important facts regarding the estates left by insured men. The average lasts less than five years, either because of wastage or inadequacy. Such information will be used to push the idea of annuity insurance—the buying of insurance that will guarantee the beneficiary a fixed sum every week or every month, with the total in trust so it cannot be wasted. Another drive is to be made on old age insurance. Every effort will be made to sell young people insurance which will pay them an income dur-

Why Grope for figures...

when you can have them

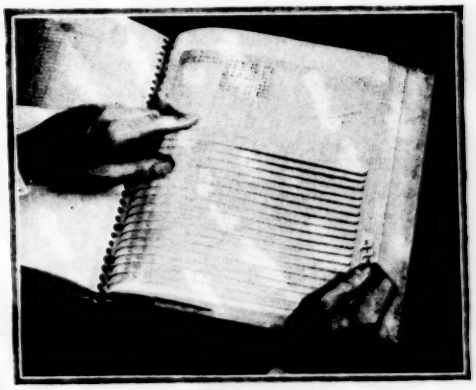
INSTANTLY?

RECORDS should be alive, vital, ready on the instant with needed facts and figures. Why should any executive depend upon records in which valuable information can be found only by slow groping—dug out only by painful labor?

There is a modern, *quick* way to have vital facts available at a moment's notice. National Visible Records keep important figures always ready for instant reference. In compact, easily handled binders, showing banks of 20 to 30 accounts at a glance, records of 10,000 accounts can be kept in 3 feet of shelf space.

National Visible Binders are unique because: (1) The back is flat; it expands at the touch of a thumb-lever for ease in posting. (2) When open for writing, the broad, flat surface of the back holds the book steady and prevents rocking. (3) Flat back construction avoids any hump to interfere with the arm in posting. (4) The posts are straight, polished and frictionless; this allows sheets to be turned at the flick of a wrist, as in a book.

There is a stationer in your city who can show you National Straight Post Visible Binders. Or simply fill out the coupon at right and send to us, pinned to your business card or letterhead.



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Record-Keeping Equipment Simplifies Business Control

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The name of the stationer from whom we usually buy is

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Life Insurance is the Safest Investment

Ideal Savings and Investment Plan for Average Person

If you are unable to complete payments, you receive a fair settlement of your equities.

Should you be permanently disabled, you receive a definite income regularly, and your insurance is continued without further payment.

If financial accommodation is needed, your policy can be used to tide you over.

Your beneficiary will receive in full the amount you have decided upon, no matter how few payments you have made.

If you live, you will receive the amount yourself.

To thousands life insurance, used as a savings and investment plan, is giving financial independence. From the viewpoint of availability for every individual, safety and permanent value, certainty of return, easily carried cost, and control by the investor,—it is a solid rock on which to build personal and family security.

This is a mutual company returning annual dividends, and offers a policy for every need.

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LIFE INSURANCE COMPANY
OF BOSTON, MASSACHUSETTS

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Please send copy of booklet, "THIS MATTER OF SUCCESS."

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Address.....

B. W.

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Foreign postage $1 a year extra

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CINCINNATI
Time Recorders and Job Clocks

Over 32 years the choice of thousands of leading organizations. More than 50 models. Factory branches in principal cities.

The Cincinnati Time Recorder Co.
Dept. M, York and Central Ave., *Est. 1896* Cincinnati, Ohio

Cincinnati Telechron Time Systems are entirely automatic. Plug into any A. C. socket.

This advertisement appears regularly in leading magazines to keep the name of this Company before you. Write for information.

ing their old age, and until death. Both of these forms of insurance compete with the trust companies and trust departments of banks, but they have already met with such success that the leading insurance companies are pressing forward with great eagerness.

THE foreign field is an untouched bonanza, but whether the insurance companies will be able to mine it is problematical. They must first overcome racial antipathy, legal barriers, and other difficulties. However, similar obstacles are being surmounted by American industry; the insurance companies may only have to follow a blazed trail.

Heretofore, the life insurance agent has been indispensable, though he has for years been the butt of the cartoonist and the paragrapher. But dissatisfaction with the agent system is widespread; in insurance circles they say that it is on trial, literally for its life. Two principal charges are made against the system. One is that it receives the castoffs from all other businesses and professions; the other that, as policies mount in size, the agent comes to be the representative of the assured, only secondarily of his company. Each charge contains elements of truth. But it has been well said that if life insurance agents are unsatisfactory, the condition is largely the fault of the companies.

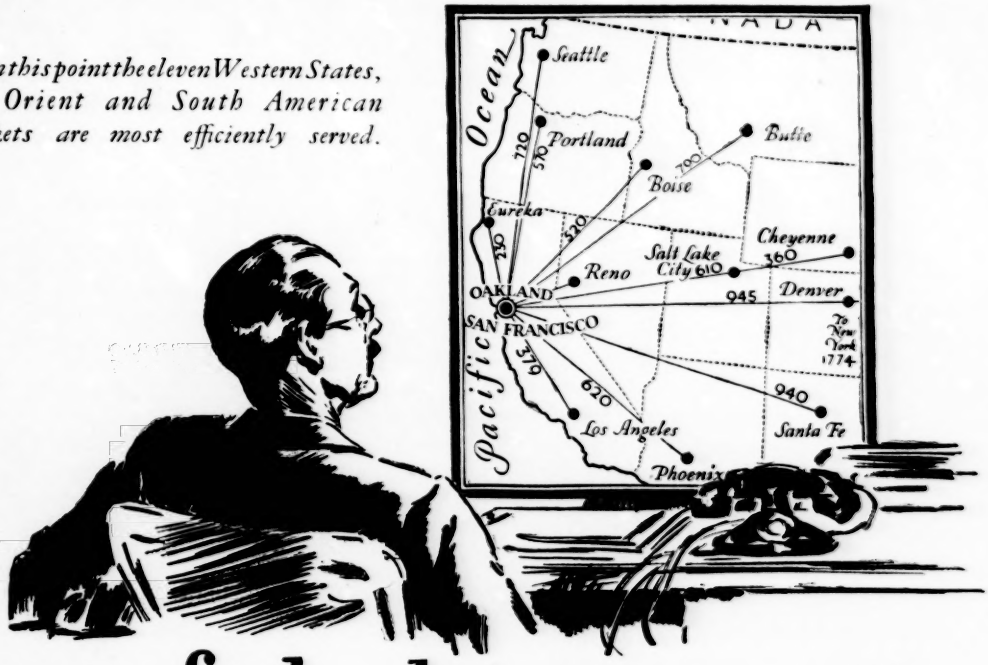
Steps are even now under way in the more important companies to eliminate the misfits. Examinations are being held, standards are being raised, minimum results demanded. The agent who survives will stand on a higher level than his old-time confrère. But it is not at all certain that he will survive. The trend is clearly toward a system which would permit one agent to handle all the insurance needs of his client, instead of only life insurance. Many insurance executives have resigned themselves to the growth of this system as inevitable; believe that convenience, if nothing else, will divert the business from the agent to the broker.

Virginia Grows

VIRGINIA, a leading state in the new industrial South, has issued figures to demonstrate its position. New capital invested in industries (1926-1928), $305,655,000. Total capital now invested, $773,900,000. New workers, since 1926, 40,607; new plants, 1,242. Output value increased from $667,850,000 in 1926 to $811,495,000 in 1928; salaries and wages from $112,261,000 to $146,778,000.

NATURAL GAS IS NOW AVAILABLE FOR INDUSTRIES

From this point the eleven Western States, the Orient and South American markets are most efficiently served.



A new fuel....low power costs *in the* San Francisco Metropolitan Bay area

This is one of the fastest growing industrial centers in the country. Many national concerns have located here and many more are coming. Here you find low power costs and an abundant supply of natural gas at attractive low rates. There is ample supply of skilled and unskilled labor with unusually low turnover largely due to the high percentage of home ownership. A splendid working climate of 57.1°F. mean annual temperature. There are over 100 miles of waterfront within the industrial area. Acreage of any desired size can be had at considerably less cost than elsewhere. Here, too, building costs are relatively low. Here you will find promptly available raw materials in wide variety and great abundance.

Distributors or manufacturers interested in the great western markets are invited to write for any general or specific information with the assurance of the correspondence being held in strictest confidence. Send for a copy of "Outstanding Features of the P. G. and E."

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The connection between a business concern and an investment banking house is on a particularly satisfactory basis when the banker is able to handle the whole job of public financing for his client—serving him at various times in various ways. Sometimes the corporation has seasonal requirements for funds which can best be met by commercial paper offerings; other situations may call for short term note, bond, preferred stock, or common stock underwritings. The ability to meet any or all of these requirements makes the banking relationship truly effective.

Whatever the occasion for financing, one of the first questions to be faced is: "What form of security does this situation call for?" A house whose operations embrace the underwriting and distribution of all types of securities is able to approach that question with an open mind, and to offer recommendations uninfluenced by a leaning toward a special field of financing in which its activities may be centered.

For more than thirty-six years A. G. Becker & Co. has been financing representative American business concerns—underwriting and distributing securities in the forms indicated by individual situations. We shall be glad to confer with you about making our experience and facilities helpful to your own business.

Booklet entitled "Sound Corporate Financing," which sketches the service we have rendered a number of well known American Corporations, will be sent upon request.

Sound Securities for Investment

A. G. Becker & Co.

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Wide Reading

GERMANY ROLLS UP ITS SLEEVES. Otto Bredt. *Factory and Industrial Management*, November. Berlin consulting engineer tells just what is aimed at in rationalization, what has been done, what remains to do.

COMMUNISM BY COMPROMISE. J. F. Rudow. *Outlook and Independent*, October 30. A banker traces Russia's economic ascent after the adoption of capitalistic practices to build an industrial nation.

THE SANE USE OF MODERN ART IN ADVERTISING. Pierce Johnson. *Advertising and Selling*, October 30. Before he decides to "go modern," the wise advertiser will first find out if the message this art speaks is the message called for. Suggestions from experience.

PITTSBURGH, ESSEN AND MANCHESTER. Paul U. Kellogg. *Survey*, November 1. Much modern unemployment, and its twin, irregular employment, are man-made risks which, if he will, man can compass and control.

ENGINEERING IN THE OIL INDUSTRY. *National Petroleum News*, October 30. Annual engineering issue; features new developments in producing, refining, marketing.

IF EUROPE SHOULD UNITE. Theodore M. Knappen. *Magazine of Wall Street*, November 2. How it will affect business. Wealth statistics of all Europe compared with the United States. Can we maintain world business supremacy?

CHARTING A FINANCIAL COURSE. Edwin A. Barnes. *Magazine of Wall Street*, November 2. Essentials in planning for secondary income.

WHAT NEXT IN AMERICA? John J. Raskob. *North American Review*, November. The five-day week: with new leisure, new consuming capacity.

REPORTS SURVEYS

MARKETS AND MEDIA. *Sales Management* 6th annual reference number. Bread and butter statistics on markets, production, distribution, sales promotion; solid, condensed form.

COMMERCIAL AND INDUSTRIAL ORGANIZATIONS OF THE UNITED STATES, 1929 EDITION. Department of Commerce, 60 cents. Lists 13,000 trade associations representing all industries, addresses, secretaries. Replaces 1926 edition.

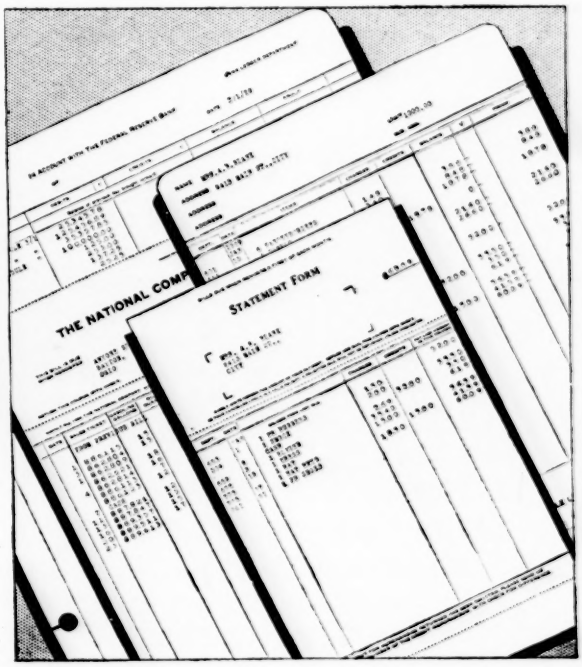
THE TEXTILE MILLS. *Cotton*, Atlanta; booklet, 52 pp. Analysis of requirements of America's second largest industry.

ITALY AS A MARKET FOR INDUSTRIAL MACHINERY. Department of Commerce, 36 pp. From report of A. A. Osborne, assistant commercial attaché in Rome.

GENERAL SURVEY OF THE RESTAURANT INDUSTRY. *American Restaurant*, Chicago; 16 pp. Statistical information on the market.

AN APPROACH TO THE COLLEGE MARKET. *College Humor*, Chicago. Survey of marketing possibilities among the 5,000,000 college students. Lists advertising rates in 86 established college publications.

NATIONAL ACCOUNTING MACHINES — PROVIDE RESULTS NEVER BEFORE POSSIBLE



THE NATIONAL Accounting Machine has set new standards by which to judge results on all types of accounting work.

In the general office, the retail store, the factory, the bank and in every other line of business it is making hand methods and less efficient machine methods obsolete.

With the National Accounting Machine the operator sees every figure and word that is printed at the time it is printed.

She has a machine so simple and easy to operate that previous experience is unnecessary . . . a very brief instruction making her an efficient operator.

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Whatever your accounting work may be . . . posting accounts receivable or payable, general ledger, bank accounting, or any other form . . . a National Accounting Machine will do it with the greatest speed, economy and accuracy.

An investigation of what this machine can do may be the means not only of getting better accounting results but of getting them quicker and at less cost.

Our representative in your city will be glad to explain it to you.

THE NATIONAL CASH REGISTER COMPANY

World's Outstanding Producer of Accounting Machines and Cash Registers

DAYTON, OHIO

The Week's Business Speeches

RAY M. HUDSON, assistant director, Bureau of Standards:

"The commonplace attitude toward technologic unemployment seems to be 'Why worry?'. This is shirking a responsibility which rests upon management. Unless management accepts the responsibility it is possible unemployment due to increased mechanization will reach proportions where labor may rise to resist the further installation of labor-saving machinery. That such resistance will be against the best interests of labor, business and the public will be lost sight of in the greater necessity of hanging onto the job in hand.

"It seems highly desirable that management give greater thought to its social obligations and stimulate research to lead to new means of satisfying human wants. Sustained employment is the main source of sustained earnings and of purchasing power. The march toward higher standards of living, toward greater economic independence and greater national wealth, begins with the control and, eventually, the subjugation of that basic cause of much poverty, misery and unhappiness—unemployment."

▼

If we had a word-of-the-month club, as we have book-of-the-month clubs, the word for this month would be "tempo."
—F. M. Feiker, chairman advisory committee, Census of Distribution.

▼

SENATOR FREDERIC M. SACKETT, to the Transportation Club of Louisville:

"While differences in the purpose of investment trusts and savings institutions may be admitted, yet the protection accorded to the savings depositor does not surround the same man if he confides his capital to the managers of an investment corporation. England has had a long experience with this new class of semi-banking companies that are multiplying here so rapidly today, and the experience of England would warrant the thought that limitations by law would be in order both as to investments and publicity.

"If there is need for control of the new form of business management as we felt there was for the old form, we can practically start anew, as the old laws so little govern now."

▼

While no one knows what the future has in store, we may possibly expect the collapse of some of our investment trusts next year.—Dr. Max Winkler, vice-president, Bertram Griscom Company.

▼

GORDON C. CORBALEY, president, American Institute of Food Distribution, à propos of the Federal Farm Board loans:

"Suppose Mr. Hoover should call all the meat packers to Washington and tell them that if they will pool their selling so as to get higher prices, the Government will supply them the money at 2% below the commercial market. I am sure there would be no marked reluctance about entering such a program."

USED THE WORLD OVER

Standard MAILING MACHINES
Speed the World's Mail

MOST WIDELY DISTRIBUTED

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STAMP AFFIXERS COPY HOLDERS
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MODERN business demands modern tools—typewriters, reproducing devices, dictating equipment and other machines for increasing the production-speed and lowering the cost of correspondence. Modern business demands the fastest trains, ships, and 'planes to rush mail to its destination.

And modern business bridges the gap between the typewriter and the postoffice with Standard Mailing Machines—to make the methods of handling and preparing outgoing mail consistent with the efficiency elsewhere along the line.

Standard is the oldest manufacturer of a complete line of mailing equipment in the world. Standard machines are in use wherever the sun shines.

There is a Standard representative near you, experienced in mailing methods and his services are extended to you without any obligation on your part. Kindly write us today.

Descriptive literature will be sent upon request

STANDARD MAILING MACHINE CO.
SPRING STREET
EVERETT, MASSACHUSETTS

Shall It Be One Line Or Many?

SPECIALIZATION versus diversification is a problem in every field. North Carolina tobacco growers have specialized until the soil has begun to grow poor. The Department of Agriculture is now urging them to diversify.

New England diversified farms, on the other hand, have been getting less and less successful and are now being replaced by highly specialized dairy and truck garden farms.

The same conflicting choice is before distributors. It has been a widely accepted principle that the fewer items a man carries, the more successfully he can sell. The automobile industry sold each kind of car in a different store. General Motors Company maintained a distinct distribution organization for each of its different cars.

Now the tide is setting in the other direction. Standard Brands, Inc., in its merger announcement, explained that its great economy was to be in the use of the distribution machinery of the Fleischmann Yeast Co. by other food manufacturers. Also in eliminating duplicated sales effort. The packers base their plea for liberation from their consent decree limitations on the ground that they have facilities for national distribution of packers' products which might just as well be used for the distribution of groceries at the same time. General Motors is considering the use of its distribution machinery to market radio sets and accessories.

The drug stores have been having the opposite experience. A generation ago they decided they might as well sell other items to customers who were standing around waiting for a prescription to be filled. Drug stores finally became more general than the so-called general stores. The drug business became so subordinate that it began to slip away altogether. Now there is discussion as to whether they should concentrate on a soda fountain and quick lunch addition, or drop everything extraneous and be "apothecaries."

On the one hand we have the Department of Commerce recommending and actively aiding the simplification of lines and the reduction of the number of items handled, and, on the other hand, the bankers recommending mergers to gain economies by diversification.

Wisdom probably lies in careful adoption of whichever principle fits.

WHAT IS YOUR SELLING PROBLEM?

Let us suggest how it can be brought direct to important executives or a multitude of consumers with a talking motion picture. Produced at a moderate cost and projected with

STAN-A-PHONE

the most inexpensive *portable* motion picture device on the market.

Gets your sales message or merchandising plan over through the two most sensitive faculties of man—Eye and Ear!

Stan-a-phone can be projected in a small sales office or in an auditorium seating 700. Easily transported.

In silent films, too, we are serving America's foremost advertisers.

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and *ready to serve*

These efficient file pockets will change your files from a slumping, disordered mass, to a succession of erect, orderly units with indexes always visible and contents easily accessible.

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because **"Vertex" File Pockets** are specially designed to eliminate these filing troubles.

We urge you to try a **"Vertex" File Pocket** in place of one of those overcrowded manila folders in your own filing cabinet, and realize how your entire filing system can be instantly improved

FREE **to users of vertical filing systems, a sample "Vertex" Pocket for trial in your own files. Use the coupon below.**

-------CUT HERE-------

Please send me for trial in my files a free sample of the Bushnell Paperoid "VERTEX" File Pocket, as described in November 9th Business Week.

Name of Firm .....

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Name and Position of Person Inquiring .....

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Letter Size or Legal Size Desired? .....

To ALVAH BUSHNELL CO., Dept. T
13th & Wood Streets Philadelphia, Pa.

TREND *and* TEMPO

By Robert R. Updegraff

THIS morning I find myself en route for Dayton, Ohio, on the Airway Limited, the Pennsylvania Railroad's train which makes T.A.T. connections for the transcontinental train-plane trip.

At 7:30 we stopped at Port Columbus, Ohio, a few miles east of Columbus, where passengers take to the air for the first hop of the 48-hour air-rail trip.

It is a rainy morning, with hardly any "ceiling" as the aviators express it, and I wondered what would be done about flying. At breakfast I asked the dining-car steward and he said the plane did not take off this morning.

"Were there any plane passengers on the train?" I asked.

"Yes—ten," he replied. "We are carrying them on to Indianapolis, and the plane will pick them up there."

Then he went on to tell me that there were five left over from yesterday; that yesterday's plane started off, got as far as Dayton, and turned back. The passengers were put up at a hotel in Columbus overnight and are going on this morning by our train to Indianapolis, where the visibility is apparently better.

Apparently the Pennsylvania and T.A.T. are not going to take any unnecessary chances. They are selling destinations first, and speed and method after that.

Whether as a result of this evidence of caution, or because I am becoming air-minded, I was interested to find myself figuring quite seriously while breakfasting, on flying from Columbus to Cleveland tomorrow morning on account of the fact that I cannot make good train connections and I must be back in New York by Friday morning. I may do so if there is a regular flying service and if the weather is good.

▼

HORATIO ALGER was born too soon! Constantly one hears these days of rises in the world that would have shamed Alger's imagination.

Just this morning I learned that a director of one of the largest of the drug store chains started as a lad in knee pants only a few years ago, sharpening safety razor blades. Within six months he was put in charge of one of the chain's busiest cigar counters, and within five years he had forged ahead to cigar and tobacco buyer for the whole chain. Then a co-operative warehouse system was inaugurated and this man was put in charge. Today he is an influential director.

College publications please copy!

▼

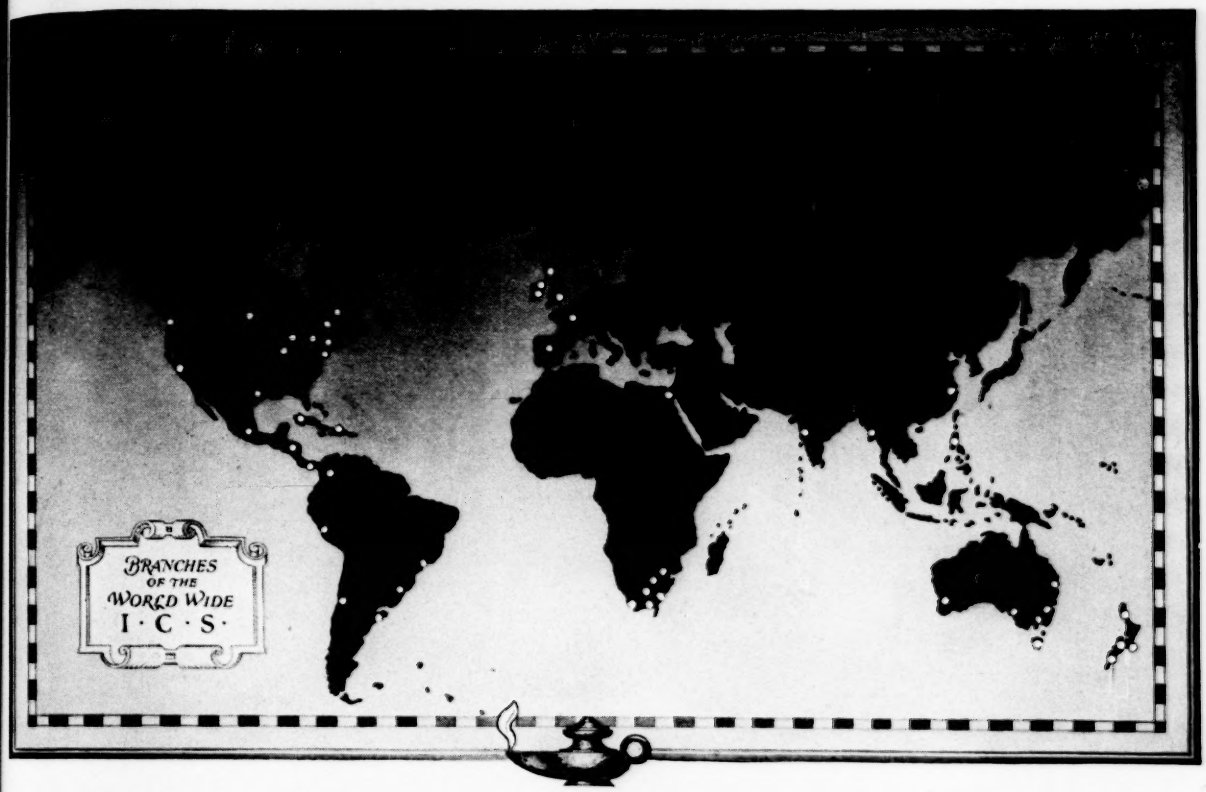
HOW many of us fully sense the speed with which the economic relationship between real estate and buildings is being altered in our congested cities?

Buildings used to be built to remain until they were obsolete from a dollars-and-cents standpoint. Now they are built to remain only until the particular piece of real estate upon which they stand is needed for some more important purpose. In New York City nearly a dozen imposing modern apartment houses and two churches—one a thoroughly modern Christian Science Church—are to be swept off the land at 178th Street to make way for the approach of a bridge across the Hudson. The bricks and mortar, the labor, the steel that have gone into these modern buildings, will be scrapped ruthlessly because they have become insignificant in value as compared with three blocks of Washington Heights land.

▼

NOW that Wall Street has re-proved its treachery as a thoroughfare leading to wealth and life satisfaction, perhaps we shall be more content to return our attention to Main Street, the surer route: that Main Street on which we offer our services and market the products of our honest labor and our management talent.

The EMPIRE of the LAMP



ALEXANDER dreamed of empire and conquered the Orient. Cæsar pushed his legions to the misty edge of the North, and claimed the world for Rome. The ships of Columbus cruised the coasts of unknown continents and Magellan carried his nation's flag around the globe.

But no empire of conquest or discovery has ever reached as vast an area of the earth's surface as the far-flung student organization of the International Correspondence Schools — the Empire of the Lamp.

Not only has this great institution extended its service to more than three and a quarter million students in the United States and Canada; in forty other countries, all over the world, more than half a million men have enrolled for home instruction with the I. C. S. It is said of the British Empire that the sun never sets on its dominions. And equally true is the statement that the study lamps of I. C. S. students are never dimmed. Somewhere they burn always, lighting the way to achievement.

In Shanghai a young Chinese bends above his engineering paper. "The supporting strength of a concrete beam . . ." he writes. And ten years hence he will be a builder of the new China.

In Melbourne a clerk is studying salesmanship, and in Madrid an importer is learning English. All up and down the world and on the high seas, through every hour of the twenty-four, men are at work beneath the lamp.

There are over 260,000 I. C. S. students in Great Britain and Ireland. Nearly 150,000 have joined the Schools in Latin America, and the number increases swiftly year by year. The little country of Colombia alone furnished a total of 1500 new enrolments in the year 1928.

Branch offices of the I. C. S. are maintained in many foreign capitals, and they have proved of great help to ambitious students. In the London Office alone, two hundred and fifty people are employed.

The International Correspondence Schools have more than justified their name. They have become a major influence in world affairs; a student brotherhood that knows no boundaries of race or flag. They present, today, an educational service as far-reaching as the mails, and as enduring as Man's desire for knowledge.

If you wish to know more about the work of the I. C. S., write for the booklet, "The Business of Building Men."

INTERNATIONAL CORRESPONDENCE SCHOOLS

FOUNDED 1891
SCRANTON, PENNSYLVANIA

MEMBER, NATIONAL
HOME STUDY COUNCIL

EDITORIAL PAGE

THE BUSINESS WEEK—A McGRAW-HILL PUBLICATION

To Job's Comforters

THE great American public—workers, employers, investors, speculators alike—whether they have suffered real loss, or only "feel poor," doubtless need all the solicitous sympathy and calming counsel that is being showered on them from high places. But, like Job, whose faith in an unlimited Providence was being sorely tested, they may be tempted to say to the Eliphazes of economics and the Bildads of business: "No doubt but ye are the people and wisdom shall die with you.....But ye are forgers of lies, ye are all physicians of no value. Oh that ye would altogether hold your peace, and it should be your wisdom."

In truth the time for pious platitudes and solemn assurances is past. It is true, and it is good for the public to know, that "business is fundamentally sound," but it is far more important for them to be sure this time that it is not merely sound—the booming sound of the big bass drum that they have been hearing for six years, the sound and fury, signifying nothing, that led them on into the greatest speculative orgy in our history.

Nor is it enough merely to tell them all to go back to work and forget it. Business leaders and public authorities are under a grave responsibility to the country both for what has happened and what may easily happen again.

For there is no longer any doubt of the strength of the hold upon this nation in recent years of what THE BUSINESS WEEK, in its very first issue of September 7, when stock prices reached their fantastic and perilous peak, called "The New Era-tionality." Through press, platform, and pulpit since 1922 the public mind has been saturated through and through with a myth and legend of miraculous, limitless prosperity and progress. The principles of steady and sure growth were thrown overboard, and business hitched its wagon not merely to a star, but to a herd of bulls, for the wildest ride in history.

From top to bottom, now, there is needed—not a destruction of faith in the future, but a drastic deflation of our thought about the present. We must return to our work with a clearer and more modest appraisal of our accomplishments, a more realistic grasp of the difficult problems that we have still to solve, and a keener sense of the delicate balance that governs all real progress.

In this we may well recall the words of Mr. Hoover's Committee on Recent Economic Changes.

"The outstanding fact which is illuminated by this survey is that we can not maintain our economic advantage, or hope fully to realize our economic future unless we consciously accept the principle of equilibrium and apply it skilfully in every economic relation....If natural resources, especially the land, are wastefully used; if money in quantity is taken out of production and employed for speculation; if any group develops a method of artificial price advancement which puts one commodity out of balance with other commodities; if either management or labor disregards the common interest—to this extent equilibrium will be destroyed, and destroyed for all."

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